

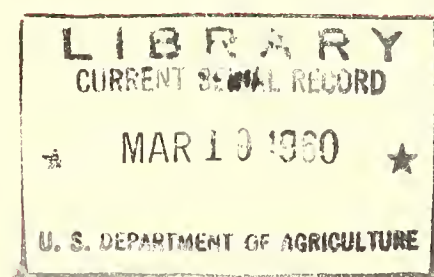
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HAND- BOOK

on Major Regional Cooperatives Handling Farm Supplies 1957 and 1958

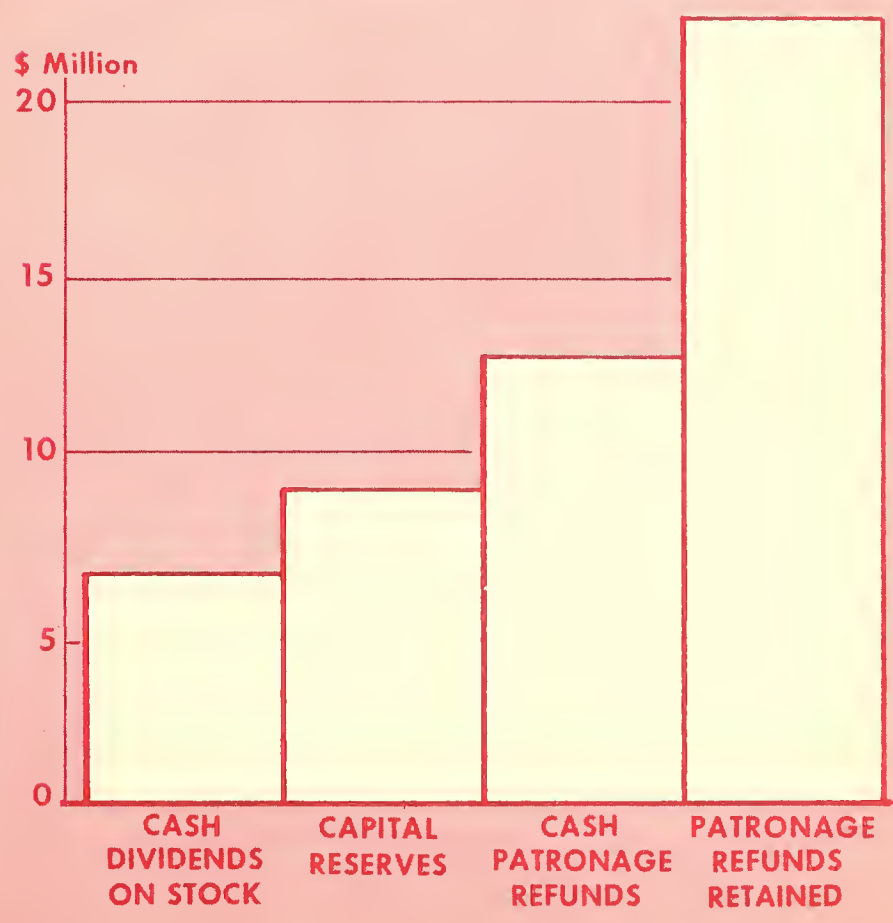


by J. Warren Mather

FARMER COOPERATIVE SERVICE
U. S. DEPARTMENT OF AGRICULTURE

GENERAL REPORT 74
FEBRUARY 1960

Distribution of Net Margins - 1958



FARMER COOPERATIVE SERVICE
U. S. DEPARTMENT OF AGRICULTURE
WASHINGTON 25, D. C.

Joseph G. Knapp, Administrator

The Farmer Cooperative Service conducts research studies and service activities of assistance to farmers in connection with cooperatives engaged in marketing farm products, purchasing farm supplies, and supplying business services. The work of the Service relates to problems of management, organization, policies, merchandising, product quality, costs, efficiency, financing, and membership.

The Service publishes the results of such studies; confers and advises with officials of farmer cooperatives; and works with educational agencies, cooperatives, and others in the dissemination of information relating to cooperative principles and practices.

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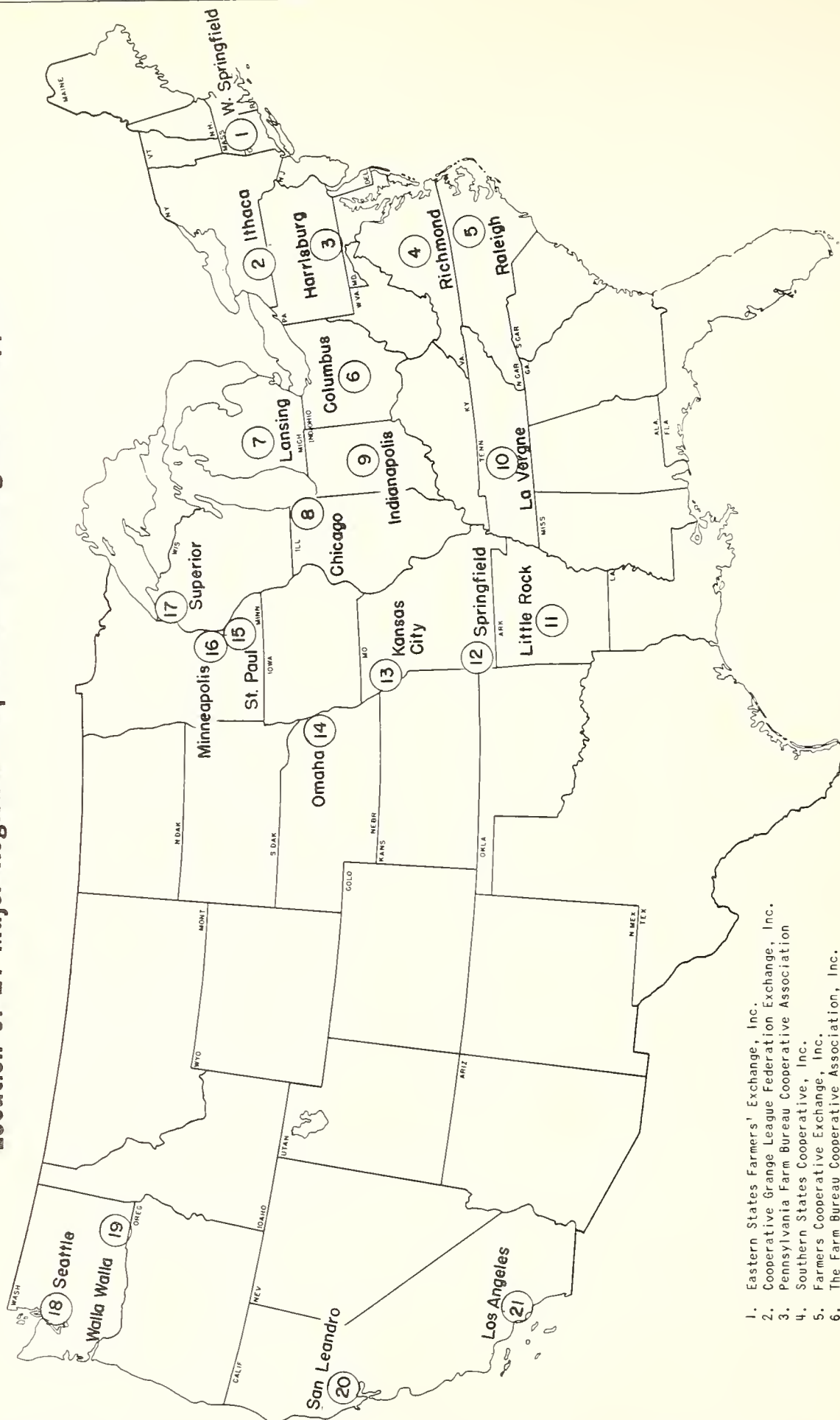
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Figure 1

Location of 21 Major Regional Cooperatives Handling Farm Supplies



1. Eastern States Farmers' Exchange, Inc.
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19. Pacific Supply Cooperative
20. Poultry Producers of Central California
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HANDBOOK ON MAJOR REGIONAL COOPERATIVES HANDLING FARM SUPPLIES, 1957 AND 1958

By
J. Warren Mather
Farm Supplies Branch
Purchasing Division

Publication of this Handbook was begun at the outset of World War II. Officials of several regional cooperatives indicated the need for a publication which would point out to Federal and State agencies the importance of these cooperatives in providing farmers with essential production supplies during the war period. These Handbooks are now used by farmer cooperative leaders, educational agencies, and others. These publications have given a better understanding of the operations of regional cooperatives handling farm supplies and have made it possible to follow trends and progress of the cooperatives and their benefits to farmers.

Part I of this Handbook gives information on each of 21 major regional cooperatives handling farm supplies in the United States for their fiscal years ending in 1957 and 1958.¹ Their location is shown in figure 1. The information presented in this Handbook on individual cooperatives was provided and authorized for publication by each organization. With one exception, each association handled more than \$10 million of farm supplies annually. The associations are presented in the order of their total wholesale and retail supply business for 1958. There was wide variation among the associations in forms of organization, methods of operation, and accounting and reporting practices. However, information presented on sales, net margins, facilities, and financial condition is quite comparable.

Part II consolidates information on the group for 1957 and 1958.

A regional association in this report refers to one which performs wholesale or manufacturing services or both for local retail cooperatives, or one which directly retails supplies to farmers over an area comprising a part of a State, an entire State, or several States. Farm supplies in this report cover all types of supplies and equipment used in farm production.

Seventeen of the 21 cooperatives performed wholesale services for retail cooperatives and other outlets of various types. The other four associations distributed all supplies direct to individual patrons. Five of the former group, however, did both wholesale and retail business. Eleven of the 21 associations also marketed farm products. In two of them, marketing dollar volume equaled or exceeded farm supply volume.

A number of major regional marketing cooperatives perform extensive farm supply services. The value of supplies distributed by three of these marketing associations, each doing more than \$7.5 million of farm supply business in 1958, is shown in Part III.

Note: Appreciation is expressed to Linden H. Martin, Administrative Services Division, Farmer Cooperative Service, for assistance in tabulating and analyzing data contained in this report.

¹Not included in this Handbook are a limited number of other major regional cooperatives and federations of regionals each doing more than \$10 million of farm supply business annually.

PART I

Association Reports for 21 Major Regional Cooperatives

Principal items considered for each of the 21 associations include: age of the associations, area of service, type and number of retail outlets, number of patrons served, membership requirements, voting provisions, number and terms of directors, number of employees, fiscal year endings, dollar volume of business, types of supplies handled, distribution of net margins, revolving capital, total cash distributions to patrons, and financial conditions of the associations for 1957 and 1958. Also, 11 of the associations reported their total net margins and distributions since they organized.

Cooperative Grange League Federation Exchange, Inc.

The Cooperative Grange League Federation Exchange, Inc., commonly known as the G.L.F., was organized June 28, 1920. It serves farmers in New York, New Jersey, and the northern tier of counties in Pennsylvania--a territory comprising most of the "New York Milkshed." Its administrative offices are in Ithaca, N. Y.

G.L.F. is a centralized cooperative in which farmers hold direct membership. Membership is open to any farmer-patron with a bona fide farm operation. Membership is obtained by acquiring one \$5 share of common stock and agreeing to the provisions of the bylaws. Each member has one vote. G.L.F.'s board of 14 directors is responsible directly to its farmer-members. Ten of the directors are nominated by districts, 2 by the New York State Grange, and 2 by the New York Farm Bureau. They serve two-year terms on a staggered basis.

Since it performs manufacturing, processing, wholesaling, transportation, insurance, and retailing services, G.L.F. is an integrated organization. At the end of the fiscal year, June 30, 1958, G.L.F. was providing these services for about 138,000 regular farmer-patrons and 79,000 nonfarmers. Farmer-patrons qualifying as members numbered about 118,000.

On June 30, 1958, G.L.F. was providing supplies and related services to its patrons through the following types of retail outlets:

<u>Retail Outlets</u>	<u>Number</u>
G.L.F. retail service stores (including 12 full branches and 1 zero food branch)	244
G.L.F. petroleum cooperatives ¹	66
G.L.F. agent buyers	245
Independent local cooperatives	20
Supplementary agents	8
Farmer agents.	5
Total	588

¹Includes 1 branch.

The retail service stores are cooperative corporations managed by G.L.F. They distribute farm supplies and in some cases market farm products for patrons. The Exchange holds in trust for the local members all common stock of the retail service stores. Local farmers own the preferred stock.

Each store holds annual meetings at which time member committees are elected. The member committee has many of the powers of a local board of directors. Most of these stores are financed centrally, except for the 41 financed directly through the Baltimore and Springfield Banks for Cooperatives. The headquarters office of G.L.F. supervises them under management contracts that may be canceled at any time by the service stores.

G.L.F. petroleum cooperatives are organized in a similar way, but they are located so as to perform a specialized petroleum service for patrons over wider areas.

Between 60 and 65 percent of G.L.F.'s wholesale volume is distributed through these service stores and petroleum cooperatives.

Agent-buyers are private business operators who have been granted franchises to handle G.L.F. commodities in accordance with association policies. The independent local cooperatives are locally controlled farmer cooperatives handling G.L.F. farm supplies on the same basis as agent-buyers. In many cases they primarily are local marketing associations with purchasing as an additional service. Supplementary agents are merchants, or others, who handle certain G.L.F. products such as fertilizer or seed, but not the complete line.

Approximately 35 to 40 percent of G.L.F.'s wholesale volume is distributed through agent-buyers, independent local cooperatives, and supplementary agents.

Under the same wholesale terms, these various types of retail outlets obtain supplies for redistribution through the manufacturing and processing plants and warehouses that G.L.F. maintains at Buffalo, Albany, and other strategically located centers.

Wholesale value of supplies distributed by G.L.F. for the fiscal years ended June 30, 1957 and 1958, was:

<u>Commodities</u>	<u>1957</u>	<u>1958</u>
Feed, grain, flour, and cereals	\$86,434,964	\$82,648,956
Fertilizer and lime (including shells, bedding, etc.)	16,650,565	16,851,369
Petroleum products	17,292,282	17,665,495
Tires, tubes, and auto supplies	2,008,418	2,449,502
Seed and seed potatoes	8,662,209	7,683,250
Hardware (tools)	682,939	659,979
Refrigeration equipment	1,610,568	1,805,370
Farm equipment and parts	2,886,086	3,525,685
Steel and other metal products	3,149,465	3,198,626
Building material, paint, and roofing	2,157,610	2,484,443
Insecticides, sprays, and farm chemicals	3,567,682	4,485,582
Containers and package materials	498,739	553,134
Rope and twine	1,117,134	1,228,004
Lawn and garden equipment	1,130,845	1,390,014
Miscellaneous	1,191,718	1,340,412
Total	149,041,224	147,969,821

Value of supplies obtained at retail by farmers through G.L.F.-managed retail outlets for the fiscal years ended June 30, 1957 and 1958 was:

<u>Type of retail service</u>	<u>1957</u>	<u>1958</u>
G.L.F. retail service stores	\$105,181,278	\$105,050,414
G.L.F. petroleum cooperatives	24,898,328	25,185,838
Total	130,079,606	130,236,252

Services for patrons, such as grinding and mixing, were valued at 3,653,213 4,907,374

In some areas, G.L.F. also supplies cooperative marketing services. The principal products marketed are eggs, grain, and beans. Marketing is conducted mainly through retail service stores, with some separate facilities maintained for eggs and beans. The following types of marketing facilities were maintained on June 30, 1958:

<u>Marketing facilities</u>	<u>Number</u>
Grain elevator	1
Bean plants	2
Egg receiving and sales agencies	8
Terminal sales agency for beans and grain	1
Cold storage plant	1

The value of farm products marketed by G.L.F.² for the years ended June 30, 1957 and 1958, was:

<u>Commodities</u>	<u>1957</u>	<u>1958</u>
Eggs	\$11,212,657	\$12,706,046
Fruits and vegetables	701,207	903,017
Grain	8,917,499	6,728,890
Beans	3,009,983	3,430,184
Hay and straw	223,179	--
Miscellaneous	47,456	723,906
Total	24,111,981	24,492,043

In addition, in 1957, through these marketing units, patrons purchased egg cases, seed, containers, fertilizer, sprays, storage, and other services valued at \$1,247,621. In 1958 the value of these items was \$855,373.

Net margins of the combined G.L.F. system and their distribution for the fiscal years ended June 30, 1957 and 1958 were as follows:

<u>Distribution of net margins</u>	<u>1957</u>	<u>1958</u>
Federal income taxes	\$2,894,951	\$3,162,607
Cash dividends on capital stock	1,799,654	1,808,015
Patronage refunds (cash)	2,062,423	1,115,047
Additions to capital reserves	2,053,783	1,826,877
Total	8,810,811	7,912,546

Of these total net margins, before taxes, approximately 65 percent in 1957 and 62 percent in 1958 were derived from manufacturing, wholesale purchasing, and regional marketing operations.

Patronage refunds in both 1957 and 1958 were declared by the local retail service stores, petroleum cooperatives, and marketing agencies. The bylaws of G.L.F. permit the board of directors to set aside reasonable reserves before the payment of wholesale patronage refunds by the Exchange.

Total net margins of the combined G.L.F. system since organization in 1920 have been \$129,980,639. Of this amount, G.L.F. paid \$20,614,096 in cash dividends on capital stock, \$51,530,111 as cash patronage refunds, \$21,166,790 in Federal income taxes, and \$36,669,642 was added to the general reserve and surplus account.

The financial condition of the combined G.L.F. system, including wholesale divisions, financing and insurance subsidiaries, retail service stores, petroleum cooperatives, and marketing associations as of June 30, 1957 and 1958, is shown in the following condensed balance sheet:

²Includes marketing by service stores.

	1957	1958
Assets		
Current assets	\$53,283,056	\$53,150,738
Fixed assets (net)	34,715,298	35,074,078
Other assets (investments)	7,531,334	8,856,196
Total	95,529,688	97,081,012
Liabilities and patrons' equities		
Current liabilities	18,464,047	16,678,533
Other liabilities	10,229,568	11,658,352
Capital stock and patrons' equities	66,836,073	68,744,127
Total	95,529,688	97,081,012

The following tabulation shows the number and value of the principal facilities owned and operated by G.L.F. and its affiliated service stores and petroleum and marketing cooperatives on June 30, 1958:

<u>Facilities</u>	<u>Number of plants or units</u>	<u>Cost value</u>	<u>Depre- ciated value</u>
<u>Wholesale</u>			
Feed mills	4	\$10,691,482	\$6,926,523
Fertilizer and insecticide plants	13	5,883,682	3,397,662
Seed (cleaning) plants	6	1,748,781	1,221,597
Farm supply warehouses	8	1,255,536	667,769
Petroleum bulk storage terminals	9	2,422,813	1,864,526
Marketing warehouse, storage, and processing plants	14	1,725,673	1,046,054
Office buildings and equipment	--	2,488,012	1,590,785
Flour and cereal mills and elevators	2	366,501	264,562
Radio network	5	251,246	116,096
Other facilities	--	455,043	268,224
Subtotal	--	27,288,769	17,363,798
<u>Distribution</u>			
Retail service stores	231	23,423,624	14,604,521
Bulk petroleum plants	65	5,608,962	2,819,106
Freezer-locker plants	1	57,900	18,204
Marketing warehouse, storage, and processing units	2	364,551	268,449
Subtotal	--	29,455,037	17,710,280
Total	--	56,743,806	35,074,078

G.L.F. also had \$4,586,543 invested in federations of regional cooperatives and allied companies which operated various manufacturing and wholesaling facilities.

On June 30, 1958, the G.L.F. system had 4,666 employees. Of these, 284 were in general administrative activities, 791 in wholesale distribution, 588 in manufacturing and processing operations, 2,740 in retail distribution, and 263 in marketing farm products. These figures do not include retail employees of independent cooperatives or agent-buyers and their employees who may spend most of their time in distributing G.L.F. farm supplies. The figures for the operating groups performing retail, wholesale, and manufacturing services include administrative, accounting, and clerical employees.

Southern States Cooperative, Inc.

The Southern States Cooperative, Inc., (S.S.C.), Richmond, Va., was organized on July 21, 1923, as the Virginia Seed Service. When its charter was amended in 1930, it became the first purchasing cooperative chartered under the Virginia Cooperative Marketing Act. The present name was adopted in 1933.

At the end of its operating year on June 30, 1958, it was furnishing supplies through local cooperatives, service agencies, and farmer agents to 384,606 members in Virginia, West Virginia, Kentucky, Maryland, Delaware, and Tennessee. The number of nonfarmers served was estimated at 45,000. Eighty-three percent of its patrons were members.

S.S.C. is both a centralized and federated cooperative with both cooperatives and farmers directly holding membership in it, but in practice it operates on a federated basis. Either a farmer-patron or an agricultural cooperative becomes a member by acquiring one or more shares of \$1 par value common stock, which may be issued in payment of patronage refunds, and by agreeing to provisions of the bylaws. Each member has only one vote.

S.S.C. had 170,497 direct farmer members on June 30, 1958. They were located in areas served by private dealer-agents of S.S.C. The members served by each dealer-agent elect an advisory board of six members to vote for and represent the group in all matters at the annual meeting of S.S.C., the same as do directors of local member cooperatives.

S.S.C. has 16 directors of which 10 are elected by districts for staggered terms of 3 years. The other six are public directors appointed for 3-year terms on a staggered basis, one each by the director of Extension Service of the Land Grant College in each of the six States in which S.S.C. operates.

On June 30, 1958, S.S.C. was providing supplies and related services to its patrons through the following types of retail outlets:

<u>Retail Outlets</u>	<u>Number</u>
Local affiliated cooperatives	
Farm supply stores with management contracts	129
Farm supply stores without management contracts	54
Petroleum service plants with management contracts	28
Egg Marketing with management contracts	1
Service agencies (privately owned)	<u>486</u>
Total	698

Local affiliated cooperatives with management contracts are separately incorporated associations. Their boards of directors employ S.S.C. to perform certain management, accounting, auditing, and financial services on a fee basis. It is through these farm supply and petroleum cooperatives that S.S.C. distributes approximately 44 percent of its wholesale volume. Those associations without management contracts are independent cooperatives which use the association as a source of wholesale supplies.

Service agencies are private retail farm supply dealers who have been awarded the S.S.C. franchise upon recommendation of the local membership. Under the terms of this franchise, dealers handle the supplies under conditions agreed upon. Approximately 56 percent of the associations wholesale volume is distributed through these agencies and the farm supply cooperatives without management contracts.

Several subsidiary cooperatives conduct the feed and fertilizer manufacturing operations of S.S.C. This cooperative wholly owns some of these subsidiaries, but a number of wholesale cooperatives jointly own others and use them as a source of some or all of their feed and fertilizer requirements.

Others participating in these subsidiaries are the Farmers Cooperative Exchange, Raleigh, N. C.; Pennsylvania Farm Bureau Cooperative Association, Harrisburg, Pa.; The Farm Bureau Cooperative Association, Columbus, Ohio; and The Cotton Producers Association, Atlanta, Ga. Ownership is in proportion to use or patronage and is annually adjusted to maintain ownership on that basis. Each of the participating cooperatives pays its exact share of operating expenses and therefore obtains manufacturing service at cost.

The value of supplies distributed at wholesale, including those manufactured for other regional cooperatives, for the fiscal years ended June 30, 1957 and 1958, were:

<u>Commodities</u>	<u>1957</u>	<u>1958</u>
Feed	\$68,507,823	\$73,965,359
Fertilizer	13,331,232	14,135,516
Seed	6,050,131	5,918,770
Petroleum products and equipment	8,506,362	9,097,770
Auto accessories	1,601,104	1,726,386
Farm equipment and tools	2,585,448	2,895,536
Hardware and steel products	4,826,908	4,767,735
Paint and asphalt	1,039,488	1,143,996
Insecticides, sprays, and chemicals	2,226,621	2,476,612
Electrical equipment and appliances	1,194,241	1,027,515
Miscellaneous	513,364	694,276
Total	110,382,722	117,849,471

Supplies consisting mainly of feed and fertilizer manufactured for other regional cooperatives totaled \$16,165,881 in fiscal year 1957 and \$14,058,403 in fiscal year 1958.

Value of supplies distributed at retail outlets managed by S.S.C. amounted to \$59,174,926³ in fiscal year 1957 and \$68,636,145 in fiscal year 1958.

S.S.C. has marketing services for several farm products produced by members. On June 30, 1958, the association operated two terminal egg sales agencies and three terminal grain marketing services.

Value of farm products marketed through S.S.C. the last two fiscal years was:

<u>Commodities</u>	<u>1957</u>	<u>1958</u>
Eggs	\$2,341,726	\$2,774,955
Grain	17,009,308	10,637,014
Total	19,351,034	13,411,969

Net margins available to patrons on S.S.C., wholesale, retail, and marketing operations and their distribution in fiscal years 1957 and 1958 were as follows:

<u>Distribution of net margins</u>	<u>1957</u>	<u>1958</u>
Cash dividends on capital stock	\$1,481,110	\$1,557,694
Patronage refunds		
Cash	2,554,442	3,100,026
Stock and equities	2,892,336	3,111,838
Additions to reserves and adjustments	253,715	679,532
Total	7,181,603	8,449,090

Of these total net margins, approximately 77 percent in the fiscal year 1957 and 72 percent in fiscal year 1958 were derived from manufacturing and wholesale purchasing operations, and the remaining proportions were derived from local retail and marketing operations.

³Revised by S.S.C. in 1958.

For the fiscal year ended June 30, 1957, the association retired voting stock amounting to \$67,061, issued originally in the payment of patronage refunds. For the year ended June 30, 1958, the redemptions totaled \$102,830. For many years the policy has been to retire upon request, at par value, the voting stock issued 10 years previous.

Total net margins available to patrons of the combined S.S.C. system since organizing in 1923 have been \$69,392,344. Of this amount, S.S.C. paid \$13,402,875 as cash dividends on capital stock, \$17,370,551 as patronage refunds in cash, and \$26,228,516 in capital stock, capital book equities, and debentures. It retained the remaining \$12,390,402 for capital as general reserves. The total amount of capital stock retired under a revolving capital plan was \$3,805,872.

As of June 30, 1957 and 1958, the financial condition of S.S.C., its wholly owned (subsidiaries) and partly owned manufacturing subsidiaries, and its affiliated local retail cooperatives is shown in the following consolidated statement:

	<u>1957</u>	<u>1958</u>
Assets		
Current assets	\$36,874,470	\$38,934,310
Fixed assets (net)	22,086,245	26,243,711
Other assets	5,943,326	6,275,033
Total	64,904,041	71,453,054
Liabilities and net worth		
Current liabilities	5,556,345	9,895,101
Deferred liabilities	14,122,154	13,344,205
Net worth or members' or patrons' equities	45,225,542	48,213,748
Total	64,904,041	71,453,054

Following is a tabulation of the number and value of facilities owned and operated by the S.S.C., its subsidiaries, and affiliated local cooperatives on June 30, 1957:

<u>Facilities</u>	<u>Number of plants or units</u>	<u>Cost Value</u>	<u>Depre- ciated value</u>
Regional--Wholesale			
Headquarters building	1	\$2,178,463	\$1,578,370
Poultry and egg marketing outlets	2	286,634	182,701
Feed mills	6	10,588,609	8,241,498
Fertilizer plants	7	3,423,520	2,374,244
Seed cleaning plants and wholesale farm supply warehouses	10	3,992,605	2,662,608
Petroleum terminals and transport equipment	3	962,125	764,451
Research and analysis laboratory	1	30,904	11,845
Grain marketing facilities	3	408,480	295,340
Other facilities	--	1,265,682	821,177
Subtotal	--	23,137,022	16,932,234
Local--Retail			
Service stores	128	10,049,373	7,798,770
Bulk petroleum plants	27	2,403,156	1,512,707
Subtotal	--	12,452,529	9,311,477
Total	--	35,589,551	26,243,711

S.S.C. also had \$446,700 invested in federations of regional cooperatives plus \$3,621,402 in allied companies operating various manufacturing and wholesale facilities. These investments are included in "other assets" in S.S.C.'s balance sheet.

On June 30, 1958, S.S.C. had 2,779 employees. Of these, 515 were engaged in general administrative activities, 1,271 in manufacturing and processing operations, 80 in whole-sale distribution, 827 in retail distribution, and 86 in farm product marketing.

Consumers Cooperative Association

The Consumers Cooperative Association (known as CCA), with headquarters in Kansas City, Mo., was organized in 1929. As of August 31, 1958, CCA was serving 1,709 local and regional member associations. The locals mainly are located in Colorado, Iowa, Kansas, Missouri, Nebraska, North and South Dakota, Oklahoma, and Wyoming. These associations, in turn, serve approximately 460,000 patrons, about 98 percent of them farmers. Approximately 1-1/2 percent of these local co-ops were under management or supervision agreements with CCA.

Membership in CCA is limited to cooperatives and is obtained by acquiring one \$25 share of common stock and by agreeing to the provisions of the bylaws. Each member association has only one vote. CCA has 21 directors elected by districts for staggered terms of 3 years.

Crude oil production, pipeline transportation, and refinery operations are carried on for CCA by a wholly owned subsidiary, The Cooperative Refinery Association (CRA).

CCA owns 75 percent of the common stock of another subsidiary, The Cooperative Farm Chemicals Association (CFCA), incorporated October 5, 1951, to operate an agricultural nitrogen plant at Lawrence, Kansas. This plant, costing over \$18 million, has a rated annual capacity of 110,000 tons of nitrogen fertilizer. The other one-fourth of the common stock of CFCA is owned by Central Farmers Fertilizer Company, Chicago, Ill., a federation of regional cooperatives.

Production and manufacturing operations of CCA and its subsidiaries provide practically all the refined fuels, lube oil, and grease, and most of the feed, fertilizer, and paint supplied to patrons.

CCA has two other wholly owned subsidiaries: The Cooperative Finance Association, Inc., which helps finance local member cooperatives, and The Consumers Insurance Agency, Inc., which provides insurance services for member locals. CCA also owns about 68 percent of the Consumers Cooperative Services, Inc., which is a retail cooperative serving 12 locations. This group of subsidiaries has not been included in the consolidated financial statements because their activities are not similar to those of CCA, CRA, and CFCA.

A consolidated summary of merchandise furnished by CCA and its subsidiaries, CRA and CFCA, for the fiscal years ended August 31, 1957 and 1958, follows:

<u>Commodities</u>	<u>1957</u>	<u>1958</u>
Petroleum products ¹	\$84,795,218	\$88,273,229
Petroleum equipment	1,539,649	1,846,393
Feed	7,073,980	8,062,142
Fertilizer	12,998,957	16,084,610
Lumber, paint, and building supplies	3,428,972	4,780,500
Farm equipment	491,434	733,822
Tires, tubes, and auto accessories	4,614,236	6,234,675
Insecticides	1,144,077	1,588,815
Appliances	575,874	720,613
Miscellaneous	895,054	954,966
<u>Total</u>	<u>117,557,451</u>	<u>129,279,765</u>

¹Prior to 1958, sales of certain petroleum products by CRA were considered as sales of by-products and were recorded as a reduction of material costs. In 1958, CCA acquired and disposed of all of these by-products. The amount realized from their sale, \$3,978,240, has been included in merchandise furnished to patrons. Accordingly, the consolidated statement of operations for 1957 has been restated on a basis consistent with 1958 by increasing merchandise furnished to patrons and cost of merchandise furnished by \$4,208,793.

Total consolidated net margins distributed to patrons in 1956-57 and 1957-58 by CCA, CRA, and CFCA were:

	<u>Distribution of net margins</u>	<u>1957</u>	<u>1958</u>
Cash dividends on stock		\$478,623	\$737,552
Patronage refunds			
Cash		781,803	487,903
Capital stock and revolving funds		2,886,328	1,700,129
Additions to surplus		<u>2,298,603</u>	<u>1,687,333</u>
Total		6,445,357	4,612,917

Twenty-one percent of the 1956-57 patronage refund and 22 percent of the 1957-58 refund were paid in cash.

Cash payments to retire deferred refunds amounted to \$1,038,247 in 1956-57 and \$1,026,657 in 1957-58. The association has now retired all deferred patronage refunds through 1949 and 50 percent of the 1950 deferred refunds.

Total cash distributed to patrons, including dividends on capital stock (but not interest on certificates of indebtedness), current refunds paid in cash, and the retirement of deferred refunds amounted to \$2,298,673 in the 1956-57 fiscal year and \$2,252,112 in the 1957-58 fiscal year.

Consolidated balance sheets of CCA and its subsidiaries, CRA and CFCA, for the fiscal years ended August 31, 1957 and 1958, were:

	<u>1957</u>	<u>1958</u>
Assets		
Current assets	\$23,539,971	\$25,102,298
Fixed assets (net)	45,583,947	49,809,312
Other assets	<u>12,889,486</u>	<u>13,522,382</u>
Total	82,013,404	88,433,992
Liabilities and net worth		
Current liabilities	17,446,613	18,599,713
Other liabilities	22,997,898	21,293,086
Net worth	<u>41,568,893</u>	<u>48,541,193</u>
Total	82,013,404	88,433,992

Principal facilities owned and operated by CCA, CRA, and CFCA on August 31, 1958, were:

<u>Facilities</u>	<u>Number of plants or units</u>	<u>Cost value</u>	<u>Depre- ciated value</u>
Petroleum refineries	3	\$23,070,691	\$14,799,853
Crude oil production			
Facility (equipment)	-	10,966,105	6,841,263
Oil reserve (leaseholds)	-	15,347,451	5,648,728
Pipeline (miles)	978	5,011,757	3,210,041
Distribution and transportation			
Warehouses and terminals ¹	19	1,119,373	843,982
Highway transports	98	1,563,917	821,832
Manufacturing			
Fertilizer plants ²	4	20,276,494	15,733,576
Feed mills	3	980,926	779,780
Other plants	4	250,067	160,019
Headquarters	-	822,905	412,893
Nonoperating properties	-	<u>661,387</u>	<u>557,345</u>
Total	-	80,071,073	49,809,312

¹Warehouses at 9 locations, terminals at 10 locations.

²Includes nitrogen fertilizer plant operated by the Cooperative Farm Chemicals Association, Lawrence, Kansas.

CCA, CRA, and CFCA also had invested \$11,463,320 in other federations of regional cooperatives which operate various manufacturing and wholesale facilities. These investments are included in "other assets" on the consolidated balance sheet.

CCA, CRA, and CFCA had 2,027 employees on August 31, 1958. This included 364 employees engaged in general administrative activities, 781 in oil production and refining, 403 in manufacturing plants (other than refining), and 479 in wholesale distributing, including transportation terminals and warehouses.

Eastern States Farmers' Exchange, Inc.

The Eastern States Farmers' Exchange, Inc., with headquarters in West Springfield, Mass., was organized on January 28, 1918. At the end of 1958 it was serving over 252,431 patrons in the six New England States, Pennsylvania (except for the northern tier counties), Delaware, and Maryland.

Eastern States Farmers' Exchange is a centralized cooperative with farmers holding direct membership in it. Membership is determined by patronage; Eastern States has no capital stock or membership fees. Every farmer who purchases through the association becomes a member and remains a member for the calendar year following the date of his last purchase. Each member has one vote only. About 6 percent of the 1958 volume of business was with nonfarmer patrons.

Eastern States had 53 directors in 1958. Their terms are three years, with one-third elected each year. The executive committee consists of 12 members plus the president.

The association serves patrons by means of 364 farmer-representatives, 14 independent cooperatives that also serve as representatives, and 102 regional branch service centers strategically located to supplement local car-door distribution.

Eastern States is an integrated farmers' nonstock, nonprofit cooperative agency for procuring production supplies for its members. It processes a large proportion of the items it handles.

Value of supplies distributed to patrons was \$83,444,497 for the fiscal year ended December 31, 1957, and \$87,102,050 for 1958.

Total net savings available to patrons and their distribution in 1957 and 1958 were as follows:

<u>Distribution of net savings</u>	<u>1957</u>	<u>1958</u>
Patronage refunds in cash	\$2,196,528	\$2,451,100
Allocated to patrons and retained	<u>1,065,000</u>	<u>1,200,000</u>
Total	3,261,528	3,651,100

Total net savings since organization in 1918 have been \$60,977,196. Of this amount, \$30,598,968 was paid in cash patronage refunds and the remaining \$30,378,228 was allocated to patrons and retained as capital.

The financial statement for Eastern States Farmers' Exchange as of December 31, 1957 and 1958, was as follows:

	<u>1957</u>	<u>1958</u>
Assets		
Current Assets	\$15,827,276	\$17,119,044
Fixed Assets (net)	22,852,873	23,646,857
Other Assets	<u>1,221,066</u>	<u>1,101,210</u>
Total	39,901,215	41,867,111

	1957	1958
Liabilities and net worth		
Current liabilities	\$6,222,987	\$7,888,883
Fixed indebtedness	4,500,000	3,600,000
Net worth (patrons' equities)	29,178,228	30,378,228
Total	39,901,215	41,867,111

Eastern States had no investments in federations of regional cooperatives which operated manufacturing and wholesaling facilities at the end of 1958.

On December 31, 1958, Eastern States had 1,837 employees. Of these, 481 were engaged in general and administrative activities, 741 in manufacturing and processing operations, 50 in research activities, and 565 in distributing operations through its service centers.

Farmers Union Central Exchange, Inc.

The Farmers Union Central Exchange, Inc., with headquarters at St. Paul, Minn., was organized in 1931. At the end of December 31, 1958, it was serving 459 local member associations with approximately 166,000 patrons, 90 percent of them farmers, and 311 nonmember cooperatives with 114,000 patrons, 90 percent of them farmers. The Exchange operates in North Dakota, South Dakota, Montana, Minnesota, Wisconsin, Wyoming, Idaho, and Washington.

A farmer cooperative may become a member of the Exchange by acquiring a \$25 share of common stock and agreeing to comply with its bylaws. Each member association has one voting delegate for every 50 members or stockholders in its association. The Exchange has 11 directors elected by districts for staggered terms of 3 years.

Farmers Union Central Exchange, Inc., is independent of the various State farmers unions in the area it serves. It does, however, contribute 5 percent of its net savings each year to these organizations and the national farmers union. The same relationship exists among many of the local farmers union cooperatives and local farmers unions.

Farmers Union Central Exchange distributed supplies at wholesale during its fiscal years ended December 31, 1957 and 1958, as follows:

<u>Commodities</u>	1957	1958
Feed	\$4,291,815	\$5,206,542
Seed	693,070	609,736
Fertilizer	5,275,209	7,043,964
Petroleum products	48,503,521	51,293,730
Tires, tubes, and other accessories	6,762,614	8,105,899
Farm machinery	2,574,737	3,495,409
Milking machines	113,243	125,093
Paint	380,250	571,605
Hardware	2,807,276	3,708,539
Electrical equipment and appliances	726,032	806,537
Twine	765,513	815,063
Agricultural chemicals	1,100,907	1,122,837
L.P. gas equipment	787,133	1,090,391
Oil equipment	818,700	849,118
Miscellaneous	192,435	201,794
Total	75,792,455	85,046,257

The Exchange derived net margins available to patrons for fiscal years 1957 and 1958 as follows:

<u>Source of net margins</u>	1957	1958
Manufacturing and wholesaling operations	\$6,147,067	\$5,839,716
Net savings in form of stock and stock credits from other co-ops	2,430,481	1,541,097
Total ¹	8,577,548	7,380,813

¹In addition, price adjustments paid quarterly in cash on the purchases of certain petroleum products by local co-ops totaled \$1,654,142 in 1957 and \$1,465,670 in 1958.

The association distributed these net margins as follows:

<u>Distribution of net margins</u>	<u>1957</u>	<u>1958</u>
Cash dividends on capital stock	-0-	-0-
Patronage refunds in capital stock	\$6,657,624	\$5,619,496
Service expense	281,403	275,071
Employees' saving-sharing fund	428,877	369,041
Additions to capital reserves	1,209,644	1,117,206
Total	8,577,548	7,380,814

Capital stock amounting to \$1,747,063, originally issued in payment of patronage refunds, was retired in 1957 under a revolving capital plan. The amount retired in 1958 was \$1,895,235. The association has now retired all such capital stock issued through 1949.

A condensed financial statement of the Exchange for December 31, 1957 and 1958, follows:

	<u>1957</u>	<u>1958</u>
Assets		
Current assets	\$26,777,276	\$28,750,356
Fixed assets (net)	14,558,331	17,005,623
Other assets	3,082,011	3,167,248
Investments	13,287,418	13,548,629
Total	57,705,036	62,471,856
Liabilities and net worth		
Current liabilities	12,288,726	12,222,003
Net worth (capital and reserves)	45,416,310	50,249,853
Total	57,705,036	62,471,856

Facilities owned and operated by the association at the close of 1958 included:

<u>Facilities</u>	<u>Number of plants or units</u>	<u>Cost Value</u>	<u>Depre- ciated value</u>
Fertilizer plants	12	\$456,052	\$422,310
Wholesale farm supply warehouses	10	1,433,346	1,214,655
Oil blending plant and main buildings and equipment	1	4,062,680	3,414,035
Autos and trucks		949,222	599,685
Furniture and fixtures		889,358	393,514
Refinery property	1	15,612,125	9,874,511
Bottled gas plants and equipment	24	846,257	655,652
Pipeline terminal	1	452,374	431,261
Total		24,701,414	17,005,623

The Exchange also had \$13,548,629 invested in federations of regional cooperatives which operated manufacturing and wholesaling facilities.

On December 31, 1958, the Exchange had 829 employees. Of these, 389 were engaged in general and administrative activities, 208 in manufacturing and processing operations, and 232 in wholesale distribution, including warehousing and transportation.

Illinois Farm Supply Company

The Illinois Farm Supply Company, with headquarters in Chicago, was organized in 1927. At the end of its operating year on August 31, 1958, it was providing manufacturing and wholesale farm supply services for 98 Class "A" member service companies and 36 Class "B", "C", and "D" member companies throughout Illinois. Most of these associations operated over countywide areas and served about 100,000 patrons, 85 percent of them farmers.

Each member company is required to own one share of common stock (no par value). Preferred stock is used for financing. Each share of capital stock has one vote because Illinois laws governing capital stock corporations grant voting privileges to all classes of capital stock. Class "A" members are the county service companies handling petroleum, feed, plant food, and general farm supplies; all have membership agreements with Illinois Farm Supply Company. The Class "B", "C", and "D" members consist of other types of supply and marketing cooperatives and a few county Farm Bureaus.

This State and county cooperative system operates on a federated basis with local Farm Bureau members owning the county companies. These companies in turn own the Illinois Farm Supply Company and elect nine of its directors for 1-year terms on a district basis. In addition, two directors of the Illinois Agricultural Association--the State Farm Bureau organization--are selected to serve on the board for 1-year terms.

From a technical standpoint, however, legal control and supervision of this cooperative system rests with the Illinois Agricultural Association. It holds a majority of the voting shares of capital stock in the Illinois Farm Supply Company, and the latter holds a majority of the voting stock in most of its member service companies.

Value of supplies distributed at wholesale by the Illinois Farm Supply Company during the fiscal years ended August 31, 1957 and 1958, was:

<u>Commodities</u>	<u>1957</u>	<u>1958</u>
Feed	\$14,228,146	\$15,782,179
Fertilizer	11,567,864	12,742,934
Petroleum products	35,237,836	35,625,744
Tires, tubes, and accessories	1,021,196	1,024,844
Farm equipment	1,060,242	1,248,221
Steel products	1,412,909	2,005,255
Lumber, paint, and other maintenance equipment	632,443	755,532
Insecticides	550,663	661,074
Twine	199,825	214,610
Antifreeze and office supplies	98,213	184,629
Total	66,009,337	70,245,022

Total net margins from all manufacturing, wholesaling, and transportation operations available to member companies, and their distribution in 1957 and 1958 fiscal years were:

<u>Distribution of net margins</u>	<u>1957</u>	<u>1958</u>
Cash dividends on capital stock	\$257,565	\$265,128
Patronage refunds		
Cash	1,962,439	2,529,535
Capital stock	300,000	300,000
Additions to surplus	529,730	961,644
Total	3,049,734	4,056,307

Total net margins, after income taxes, available to member companies since organizing in 1927 have been \$40,888,166. Of this amount, the Illionis Farm Supply Company paid \$3,199,402 as dividends on capital stock, \$28,887,261 as cash patronage refunds, \$3,253,700 as patronage refunds in capital stock, and retained the remaining \$5,547,803 as surplus.

The financial condition of the Illinois Farm Supply Company on August 31, 1957 and 1958, was:

	<u>1957</u>	<u>1958</u>
Assets		
Current assets	\$14,500,162	\$14,923,499
Fixed assets (net)	8,470,686	9,052,527
Other assets	2,138,946	2,919,879
Total	25,109,794	26,895,905
Liabilities and net worth		
Current liabilities	\$6,671,464	\$7,695,930
Other liabilities	4,920,000	4,420,000
Net worth or members equities	13,518,330	14,779,975
Total	25,109,794	26,895,905

On August 31, 1958, the Illinois Farm Supply Company had accumulated 62 percent of its net worth through the sale of stock and 38 percent through retained savings.

This association has one wholly owned subsidiary--the Loudon Pipeline Company--which operates crude oil pipelines and a small amount of production properties. Only the investment that Illinois Farm Supply Company has as capital stock in this subsidiary is included in its balance sheet.⁴

The type, number, and value of the principal operating facilities owned by the Illinois Farm Supply Company and its wholly owned subsidiary as of August 31, 1958 were:

<u>Facilities</u>	<u>Number of plants or units</u>	<u>Cost value</u>	<u>Depre- ciated value</u>
Feed mills	3	\$3,468,411	\$2,814,717
Marine terminal bulk petroleum plants	2	1,083,505	662,072
Transport trucks	221	2,077,460	1,314,221
Barges and towboats	7	1,223,421	740,747
Plant food plant	2	3,628,979	1,789,998
Petroleum refinery	1	2,066,067	852,767
Other facilities	--	372,085	173,836
Construction in progress	--	704,171	704,171
Total	--	14,624,099	9,052,529

Properties represented by capital stock invested in its subsidiary, Loudon Pipeline Co., and included in "other assets" were:

<u>Properties</u>	<u>Cost value</u>	<u>Depre- ciated value</u>
Pipeline	\$555,852	\$75,980
Crude oil properties	284,137	214,148
Total	839,989	290,128

⁴This represents \$675,000. Total equity of Loudon Pipeline Company is \$1,014,584.

Illinois Farm Supply Company also had \$1,453,243 invested in federations of regional cooperatives and allied companies which operated various refining, producing, manufacturing, and wholesaling facilities.

This association and its subsidiary had 742 employees on August 31, 1958. Of these, 285 were in general and administrative activities, 249 in manufacturing and processing operations, and 208 in wholesale distribution, including transportation and warehousing.

Indiana Farm Bureau Cooperative Association, Inc.

The Indiana Farm Bureau Cooperative Association, Inc., with headquarters in Indianapolis, Ind., was organized in its present form in February 1927. At the end of its operating year, December 31, 1958, it was serving 85 county farm bureau cooperatives in Indiana and 1 in Kentucky. These 86 associations were distributing supplies to approximately 140,000 patrons, about 90 percent of them farmers.⁵ None of the county associations were under management and financing arrangements with the State organization.

Membership in this State association is limited to the county associations just mentioned, which hold all of the State associations' voting stock. Membership is obtained by purchasing a \$100 share of common voting stock and agreeing to the provisions of the by-laws. Each member association has only one vote.

The State association has 10 directors elected by districts for 3-year terms, and 1 public director appointed annually by the board of directors. The Indiana Farm Bureau Cooperative Association is independent of the Indiana Farm Bureau Federation, but frequently one or more directors may be on the boards of both organizations. The same relationship exists among the county farm bureau cooperatives and the county farm bureaus.

The value of supplies distributed at wholesale by the association during the fiscal years ended December 31, 1957 and 1958 follows:

<u>Commodities</u>	<u>1957</u>	<u>1958</u>
Feed	\$11,418,797	\$14,109,536
Seed.	1,454,492	1,467,524
Fertilizer	13,507,816	14,500,410
Gas, oil, and grease	23,733,654	23,150,731
Tires, tubes, and other accessories.	593,247	732,167
Farm machinery and parts.	1,342,910	1,785,547
Farm equipment.	317,045	512,491
Steel products	3,027,354	2,707,851
Lumber, paint, and other maintenance equipment.	3,798,235	3,442,928
Insecticides.	914,322	1,050,055
Electrical equipment and appliances	475,326	319,652
Twine.	185,650	238,718
Coal.	684,245	738,939
Chicks, eggs, and turkey poults.	266,401	385,215
Hog serum and virus.	-0-	-0-
Hardware	751,583	722,265
Miscellaneous ¹	522,115	408,839
Total	62,993,192	66,272,868

¹Includes such items as bulk plant equipment, printing supplies, and wool grower's supplies.

The State association operates 5 retail branches for distribution of farm machinery and other equipment. Retail sales were \$513,044 in 1957 and \$691,685 in 1958.

The State association moved into marketing in recent years. Its first venture was in March 1947 when it started the Poultry and Egg Department. In October 1947 the Indiana

⁵Many of these county cooperatives also market grain, wool, poultry, eggs, and other products.

Wool Growers merged with the association, and in October 1949 the Indiana Grain Cooperative merged with the association. On December 31, 1957, the Indiana Grain Marketing Division of the association was serving 102 locally owned cooperative elevators in the State.

Sales value of farm products marketed by the State association during 1957 and 1958 was:

<u>Commodities</u>	<u>1957</u>	<u>1958</u>
Grain	\$80,311,021	\$92,243,139
Poultry	3,142	2,386
Eggs	591,984	560,418
Wool	917,584	848,951
Total	81,823,731	93,654,894

In 1957 the Wool Department handled 1,768,800 pounds of wool, or approximately 71 percent of production in the State. In 1958, it handled 1,908,231 pounds, or approximately 75 percent of production in the State.

In its fiscal year ending December 31, 1957, the Grain Division marketed 45,995,000 bushels of grain. In its year ending December 31, 1958, it marketed 53,598,000 bushels of grain.

Total net margins from purchasing and marketing operations available to patrons and their distribution for 1957 and 1958 were:

<u>Distributions of net margins</u>	<u>1957</u>	<u>1958</u>
Cash dividends on capital stock	\$410,361	\$469,304
Patronage refunds		
Cash	1,182,940	1,262,024
Capital stock	3,518,400	2,918,400
Additions to capital reserves	-0-	-0-
Total	5,111,701	4,649,728

The cooperative derived approximately 83 percent of these net margins in 1957 and 75 percent in 1958 from supply purchasing operations. It derived the remaining proportions from marketing operations.

During 1957 the association retired \$1,167,500 of common stock, originally issued in payment of patronage refunds, under its revolving capital plan. As of December 31, 1957, the association had retired all common stock issued through 1947.

In 1958 the association retired \$1,217,900 of common stock. By December 31, 1958, it had retired all common stock issued through 1947 and 30 percent issued in 1948. (In January 1959, it retired another 30 percent of the outstanding 1948 stock, totaling \$847,200.)

The financial condition of Indiana Farm Bureau Cooperative Association, Inc., on December 31, 1957 and 1958, is shown in the following condensed statement:

	<u>1957</u>	<u>1958</u>
Assets		
Current assets	\$30,636,896	\$29,823,762
Fixed assets (net)	22,083,540	21,932,181
Other assets	6,181,253	7,789,020
Total	58,901,689	59,544,963

	1957	1958
Liabilities and net worth		
Current liabilities	\$7,212,514	\$6,994,131
Other liabilities	6,828,942	5,667,299
Net worth (capital and reserves)	<u>44,860,233</u>	<u>46,883,533</u>
Total	58,901,689	59,544,963

On December 31, 1958, the association reported that 74 percent of its net worth represented retained savings. The remaining 26 percent had been accumulated through the sale of stock.

At the close of 1958, the principal wholesale purchasing, manufacturing, and marketing facilities included:

<u>Facilities</u>	<u>Number of plants or units</u>	<u>Cost value</u>	<u>Depre- ciated value</u>
Fertilizer plants and equipment	4	\$5,089,807	\$2,495,518
Petroleum refinery	1	7,361,928	3,930,432
Oil well production facilities	--	3,606,160	1,528,957
Petroleum product pipelines and equipment (miles)	228	4,397,818	3,818,844
Petroleum marine equipment (docks and river line equipment)	--	264,341	143,801
Petroleum terminals and pump stations	3	2,350,854	1,910,574
Petroleum trucks and trailers	32	467,039	210,885
Other petroleum facilities	--	313,742	209,812
Grain terminals and equipment	3	6,924,620	5,514,770
Seed plant and equipment	1	415,124	325,168
Wholesale farm supply warehouse	1	638,230	463,955
General office buildings	1	686,195	534,485
Administrative facilities	--	327,534	147,896
Hatcheries and equipment	29	362,644	54,681
Poultry breeding farm	1	87,112	69,510
Poultry and egg plants and equipment	2	192,098	81,966
Farm chemicals plant	1	195,616	147,659
Stock equipment plant	1	44,851	39,620
Farm lumber center	1	159,248	136,180
Other marketing and supply facilities	--	<u>279,673</u>	<u>140,060</u>
Total	--	34,164,634	21,904,773

Properties represented by capital stock
investments included in "other assets"
at the end of 1957:

Crude oil properties (intangible cost)	7,330,770	2,932,480
Crude oil pipeline and equipment of subsidiary (Farm Bureau Oil Co.)	<u>1,977,447</u>	<u>816,587</u>
Total	9,308,217	3,749,067

The association also had \$2,206,220 invested in federations of regional cooperatives which operated various manufacturing and wholesaling facilities. These investments are included in "other assets" of the association.

On December 31, 1958, the Indiana Farm Bureau Cooperative Association had 1,264 employees. Of these, 326 were engaged in general and administrative activities, 443 in manufacturing and processing operations, 37 in retail distribution, 266 in wholesale distribution including warehousing and transportation, and 192 in marketing farm products.

The Farm Bureau Cooperative Association, Inc.

The Farm Bureau Cooperative Association, Inc., with headquarters at Columbus, Ohio, was organized in its present form on July 31, 1933. At the end of its operating year, December 31, 1958, it was serving 85 member associations with approximately 248 distributing points in Ohio. These cooperative outlets served about 230,000 patrons. Volume of business with farmers represented about 88 percent of the total business of these associations. Thirty-seven of the county cooperative associations were under management agreements with the State association, and of this number 24 had financing agreements.

Membership in The Farm Bureau Cooperative Association, Inc., is obtained by purchasing a \$25 share of common stock and agreeing to the provisions of the bylaws. Each share of common stock has one vote. Preferred stock is used for financing purposes and carries no vote. Common stock of The Farm Bureau Cooperative Association is held by the county cooperatives and the Ohio Farm Bureau Federation. The same board of 26 directors governs both the Ohio Farm Bureau Federation and The Farm Bureau Cooperative Association and they are elected by districts for staggered terms of 3 years. In the county cooperatives, any farmer is eligible for membership.

This regional cooperative distributed supplies at wholesale during the fiscal years ended December 31, 1957 and 1958, as follows:

<u>Commodities</u>	<u>1957</u>	<u>1958</u>
Feed	\$11,358,860	\$13,016,625
Fertilizer	6,622,781	7,764,653
Seed and seed potatoes	2,010,863	2,136,349
Petroleum products	15,238,900	14,487,880
Tires, tubes, and other accessories	384,937	474,477
Farm machinery and parts	991,925	1,621,986
Stock equipment and hardware	1,059,130	1,235,312
Fence, roofing, and paint	2,382,528	2,625,541
Insecticides and fungicides	670,246	904,322
Electrical equipment and appliances	649,530	757,451
Miscellaneous ¹	784,055	879,045
 Total	 42,153,755 ²	 45,903,641 ³

¹Includes such items as antifreeze, animal health supplies, and equipment for handling petroleum.

²Includes \$281,127 of interdivision transactions.

³Includes \$378,950 of interdivision transactions.

The value of grain marketed through The Farm Bureau Cooperative Association, Inc., was \$20,121,435 in 1957 and \$21,244,544 in 1958.

Net margins available to patrons and shareholders and their distribution for 1957 and 1958 were:

<u>Distribution of net margins</u>	<u>1957</u>	<u>1958</u>
Cash dividends on capital stock	\$291,536	\$310,820
Patronage refunds		
Cash	215,451	106,236
Securities	646,352	318,709
Additions to capital reserves	141,089	85,675
 Total	 1,294,428	 821,440

Of these total net margins, the association derived approximately 86 percent in 1957 and 65 percent in 1958 from supply purchasing operations. The remaining proportions came from marketing operations.

During 1957, the association retired \$408,750 of capital stock or other securities, originally issued in payment of patronage refunds under a revolving capital plan. The association has now retired all such stock issued through 1947 and one-half of the stock issued in 1948.

Total net margins available to patrons and shareholders since organization in 1933 have been \$19,253,716. Of this amount, the association paid \$3,600,536 as cash dividends on capital stock, \$1,670,959 as cash patronage refunds, \$13,034,023 as patronage refunds in securities, with the remaining \$948,198 retained for capital as reserves. The total amount of capital stock or other securities (representing patronage refunds) retired under the revolving capital plan has been \$6,480,940.

The financial condition of The Farm Bureau Cooperative Association, Inc., as of December 31, 1957 and 1958, is shown in the following statement:

	<u>1957</u>	<u>1958</u>
Assets		
Current assets	\$13,470,217	\$15,711,044
Fixed assets (net)	7,082,777	7,121,417
Other assets	<u>9,524,239</u>	<u>11,359,812</u>
Total	30,077,233	34,192,273
Liabilities and net worth		
Current liabilities	3,621,325	4,035,530
Other liabilities	10,145,490	12,929,723
Net worth (capital and reserves)	<u>16,310,418</u>	<u>17,227,020</u>
Total	30,077,233	34,192,273

Forty-six percent of the net worth has been accumulated through the sale of stock and 54 percent from net savings.

The Farm Bureau Cooperative Association owns a subsidiary--Louisville Refining Company, Louisville, Ky.--which refines petroleum products. This subsidiary in turn owns a subsidiary--Producers Pipe Line Company--which produces and transports crude oil. Only the investments which The Farm Bureau Cooperative Association has in capital stock in these subsidiaries are included in "other assets" in its balance sheet.

Principal facilities owned and operated by The Farm Bureau Cooperative Association, Inc., and its subsidiaries at the end of 1958 were:

<u>Facilities</u>	<u>Number of plants or units</u>	<u>Cost value</u>	<u>Depre- ciated value</u>
Terminal grain elevators	2	\$4,038,848	\$3,024,284
Feed mills	4	1,114,850	459,806
Fertilizer plants	5	2,441,808	1,066,792
Insecticide plant	1	17,705	7,404
Seed plant	1	93,775	25,526
Wholesale farm supply warehouse	1	319,325	185,956
Transport trucks (dry and liquid)	25	566,742	213,909
Other facilities	--	<u>2,887,713</u>	<u>2,137,740</u>
Total	--	11,480,766	7,121,417

Properties represented by capital stock investments in its subsidiaries--Louisville Refining Company and Producers Pipe Line Company--are included in "other assets." They consisted of the following:

<u>Facilities</u>	<u>Number of plants or units</u>	<u>Cost value</u>	<u>Depre- ciated value</u>
Petroleum refinery (complete)	1	\$5,874,420	\$3,377,957
Boats and barges	5	382,626	179,950
Crude oil pipelines (miles) ¹	315	1,320,004	584,556
Crude oil properties	--	1,167,046	661,408
Total	--	8,744,096	4,803,871

¹Miles of different sizes of pipe: 8-inch—0.63 miles; 6-inch—2.55 miles; 4-inch—62.24 miles; 3-inch—41.39 miles; 2-inch—207.92 miles.

The Farm Bureau Cooperative Association also had investments of \$1,412,760 in federations of regional cooperatives which owned manufacturing and wholesaling facilities.

On December 31, 1958, The Farm Bureau Cooperative Association, Inc., and its subsidiaries had 862 employees. Of these, 298 were engaged in general and administrative activities, 290 in manufacturing and processing operations, 162 in wholesale distribution including warehousing and transportation, 70 in retail distribution, and 42 in marketing farm products.

Midland Cooperatives, Inc.

Midland Cooperatives, Inc., with headquarters at Minneapolis, Minn., was organized on September 8, 1926. At the end of its operating year on August 31, 1958, it was serving 775 member associations with about 310,000 patrons, 95 percent of them farmers. Twelve of the local co-ops served were under management or supervision agreements with Midland.

The association operates throughout Minnesota except for the Northeastern quarter of the State, throughout Wisconsin except for the extreme north, in northern Iowa, and in the extreme eastern parts of the Dakotas.

Membership in Midland is limited to cooperative associations and is obtained by acquiring one \$100 share of common stock and agreeing to the provisions of the bylaws. Each member association has one vote plus an additional vote for each \$100,000 of purchases in excess of its first \$5,000 of purchases from Midland each year.

Midland has 12 directors elected by districts for staggered terms of 2 years.

This association distributed supplies at wholesale during the fiscal years ending August 31, 1957 and 1958, as follows:

<u>Commodities</u>	<u>1957</u>	<u>1958</u>
Feed, flour, and middlings	\$3,340,014	\$3,708,237
Fertilizer	4,157,743	4,659,027
Seed	1,069,533	706,937
Petroleum products	29,625,240	29,210,966
Tires, tubes, and accessories	2,204,743	2,566,781
Farm machinery	10	
Steel products	634,439	692,583
Paint and related products	132,598	194,133
Insecticides	438,024	549,923
Electrical equipment	809,873	940,476
Hardware and farm tools	692,757	924,176
Oil station equipment	195,978	185,783
Miscellaneous	19,261	9,856
Total	43,320,213	44,348,878

Net margins available to patrons and their distribution for the fiscal years ended in 1957 and 1958 were:

<u>Distribution of net margins</u>	<u>1957</u>	<u>1958</u>
Cash dividends on capital stock	\$125,444	\$93,364
Patronage refunds paid in capital stock	1,639,214	387,691
Additions to unallocated surplus	266,703	44,477
Total	2,031,361	525,532

In 1957 the association retired \$215,700 of capital stock, originally issued in payment of patronage refunds, under its revolving capital plan of financing. None was retired in 1958. It has now retired all such stock originally issued through 1944.

The financial condition of Midland as of August 31, 1957 and 1958, is shown in the following statement:

	<u>1957</u>	<u>1958</u>
Assets		
Current assets	\$10,803,799	\$9,968,483
Fixed assets (net)	6,824,941	7,082,595
Other assets	7,644,666	8,716,453
Total	25,273,406	25,767,531
Liabilities and net worth		
Current liabilities	5,544,415	5,904,757
Other liabilities	5,821,799	6,012,058
Net worth (capital and reserves)	13,907,192	13,850,716
Total	25,273,406	25,767,531

On August 31, 1958, Midland owned and operated the following principal facilities:

<u>Facilities</u>	<u>Cost value</u>	<u>Depre- ciated value</u>
Crude oil property	\$2,910,875	\$426,886
Refinery (complete)	7,701,009	4,188,610
Oil blending plant and bulk petroleum plants and warehouses	2,333,292	1,945,444
Other properties	912,874	521,655
Total	13,858,050	7,082,595

Investments in other production and operating facilities owned jointly with other regional cooperatives or allied companies were:

<u>Facilities</u>	<u>Amount invested</u>
Fertilizer, feed, soybean, and seed processing	\$2,703,735
Refineries and pipelines	4,135,674
Petroleum products terminal	90,000
Properties of National Cooperatives, Inc. (including milking machine factory)	334,369
Other investments	844,374
Total	8,108,152

On August 31, 1958, Midland had 537 employees. Of these, 103 were engaged in general and administrative activities, 205 in manufacturing and processing operations, and 229 in wholesale distribution including warehousing and transportation.

Washington Co-operative Farmers Association

The Washington Co-operative Farmers Association, with headquarters in Seattle, was organized in February 1917, as the Washington Cooperative Egg and Poultry Association. Its name was changed in February 1945 when it broadened its membership requirements and scope of services. The association is a centralized cooperative with farmers directly holding membership in it. During 1958, it served 44,972 member farmers located throughout Washington and northwestern Oregon.

Anyone engaged in producing farm products in commercial quantities may become a member by paying a \$2.50 membership fee and 50 cents the first year for a subscription to Washcoegg, the membership publication of the association. Those wishing to market products through the association must sign marketing agreements covering the specified commodities marketed. Each member has only one vote. The association has 15 directors by districts for staggered terms of 3 years.

Patrons are served through 56 branch stations and distributors located throughout Washington in addition to the facilities at headquarters in Seattle. Poultry and poultry products, feed, and general farm supplies are handled by all stations. Only 5 have petroleum bulk plants, but in the areas of the other branch stations, oil products are delivered to farmers by the association's tank trucks direct from bulk plants of its suppliers.

Washington Co-operative Farmers Association is an integrated organization which processes a large number of the products it markets and the supplies it distributes to members.

The value of supplies and equipment distributed to patrons during the association's fiscal years ended December 31, 1957 and 1958, was:

<u>Commodities</u>	<u>1957</u>	<u>1958</u>
Feed	\$20,153,873	\$23,053,760
Seed.	493,046	520,224
Fertilizer.	1,838,471	2,431,510
Petroleum.	9,531,905	9,221,999
Other farm supplies and equipment ¹	2,085,471	2,594,045
Total	34,102,766	37,821,538

¹Of the "other farm supplies and equipment," poultry and general equipment represented about 40 percent, building materials about 30 percent, and miscellaneous items the remaining 30 percent.

The volume of feed in 1957 was 252,742 tons of which 88,097 tons were delivered in bulk by 19 trucks. Volume in 1958 was 281,604 tons, with 131,009 tons of this quantity delivered in bulk by 28 trucks.

The association was originally formed as an egg and poultry marketing association, and this still is one of its major functions. The value of products it marketed for patrons in 1957 and 1958 was as follows:

<u>Products</u>	<u>1957</u>	<u>1958</u>
Egg and egg products	\$9,039,453	\$9,933,088
Dressed poultry	3,969,636	7,819,216
Dressed turkeys.	1,674,741	1,716,744
Canned poultry and turkey	2,663,152	2,945,311
Seed.	375,861	383,937
Edible beans	-0-	603,415
Total	17,722,843	23,401,711

Net margins available to patrons and their distribution for fiscal years ending in 1957 and 1958 were:

<u>Distribution of net margins</u>	<u>1957</u>	<u>1958</u>
Interest on "finance fund" certificates	\$490,559	\$511,715
Extra payments on marketing and patronage refunds on purchasing issued as "finance fund" certificates	2,078,832	2,615,920
Additions to rotating reserve fund	247,057	411,886
Total	2,816,448	3,539,521

This cooperative declares separate rates of extra payments on a patronage basis in its egg, poultry, cannery, turkey, and seed marketing departments and a separate patronage refund rate in its feed, seed, fertilizer, and farm supply departments.

On January 2, 1958, it retired its 1952 certificates in the amount of \$1,751,525. On January 1, 1959, the association retired its 1953 certificates in the amount of \$1,860,024. It also retired rotating reserves totaling \$169,974 in 1957 and \$191,964 in 1958. The association has usually revolved both the finance fund certificates and the rotating reserves on a 6-year basis.

The financial condition of this association on December 31, 1957 and 1958, is shown in the following condensed balance sheet:

	<u>1957</u>	<u>1958</u>
Assets		
Current assets	\$11,363,703	\$13,528,700
Fixed assets (net)	7,261,619	8,086,500
Other assets	727,434	1,232,300
Total	19,352,756	22,847,500
Liabilities and net worth		
Current liabilities	1,846,754	3,964,500
Net worth (finance fund, reserve funds, and undis- tributed operating margins)	17,506,002	18,883,000
Total	19,352,756	22,847,500

On December 31, 1958, approximately 30 percent of the association's net worth was represented by retained net operating margins or savings and the remainder by regular capital subscriptions on farm products marketed.

At the close of 1958, principal facilities owned by the association were:

<u>Facilities</u>	<u>Cost value</u>	<u>Depre- ciated value</u>
Buildings and improvements to leased properties	\$7,303,779	\$5,125,121
Land	386,863	386,863
Machinery, equipment, and furniture	4,161,026	2,093,647
Trucks and automobiles	1,792,369	480,917
Total	13,644,037	8,086,548

The association also had \$578,140 invested in federations of regional cooperatives which operated various manufacturing and wholesaling facilities.

On December 31, 1958, the association had 1,245 employees engaged in general administrative activities, manufacturing and processing, wholesale distribution, marketing farm products, and purchasing farm supplies for producer members.

Farmers Cooperative Exchange, Inc.

The Farmers Cooperative Exchange, Inc., commonly known as FCX, with headquarters at Raleigh, N. C., was organized on March 12, 1934.⁶ It serves approximately 186,600 member-patrons in North and South Carolina, with approximately 98 percent of them farmers.

Supplies are distributed through 75 FCX centrally-managed subsidiary retail service stores, 5 independent cooperative associations, and 215 private dealer-agencies.

FCX is a centralized cooperative with farmers holding direct membership in it. Any farmer may become a member by acquiring a \$1 share of common stock and agreeing to comply with the bylaws. Each member has only one vote.

FCX has 15 directors elected for staggered terms of 3 years at the annual meeting. Eleven directors are nominated on a district basis by owners of FCX common stock. One director is nominated by the board of directors of the North Carolina Cotton Growers Cooperative Association, one by the executive committee of the North Carolina Grange and one by the executive committee of the North Carolina Farm Bureau Federation. One is a public director selected jointly by the North Carolina Commissioner of Agriculture, Director of North Carolina Extension Service, and President of Greater North Carolina University.

FCX distributed supplies at wholesale for the fiscal year ending June 30, 1957 and 1958, as follows:

<u>Commodities</u>	<u>1957</u>	<u>1958</u>
Feeds and grains	\$9,993,016	\$15,727,495
Fertilizer	5,049,397	4,824,657
Seed	1,870,848	1,848,976
Steel, asphalt, and building materials	780,320	--
Paint	119,590	134,557
Farm machinery	442,872	281,028
Electrical appliances	728,669	427,131
Oil, tires, and tubes	225,272	256,810
Sprays and dusts	1,191,574	1,169,211
Miscellaneous farm supplies ¹	1,931,542	4,889,557
Total	22,333,100	29,559,422

¹Includes such items as farm tools, poultry and dairy equipment, medicines, and salt.

Value of supplies distributed at retail by FCX-managed outlets was \$17,959,780 in fiscal year 1957 and \$21,415,649 in 1958.

Value of farm products marketed by FCX for fiscal years 1957 and 1958 was:

<u>Commodities</u>	<u>1957</u>	<u>1958</u>
Grains	\$3,080,263	\$3,755,643
Eggs and poultry	807,386	738,153
Livestock	668,124	716,651
Miscellaneous	110,979	130,210
Total	4,666,752	5,340,657

⁶The operations of FCX are closely related to the North Carolina Cotton Growers Cooperative Association. The same general manager serves both organizations. The cotton handled by the North Carolina Cotton Growers was valued at \$9,647,250 for the 1958 season. The association's net worth on June 30, 1957 was \$1,077,074 and on June 30, 1958, it was \$1,121,357.

Total net margins of FCX's wholesale, retail, and marketing system available to patrons and their distribution for fiscal years ended in 1957 and 1958 were:

<u>Distribution of net margins</u>	<u>1957</u>	<u>1958</u>
Cash dividends on capital stock	\$300,368	\$277,508
Patronage refunds paid in capital stock and debentures	292,539	382,481
Additions to capital reserves	64,725	158,119
Total	657,632	818,108

Total net margins available for distribution to patrons of the combined FCX system since 1934 have been \$10,148,623. Of this amount, FCX paid \$2,766,114 as cash dividends on capital stock, declared \$5,418,376 as patronage refunds and paid them in capital stock and debentures, and retained the remaining \$1,964,133 for capital as general reserves.

The financial condition of FCX and its retail subsidiaries as of June 30, 1957 and 1958, is shown in the following statement:

	<u>1957</u>	<u>1958</u>
Assets		
Current assets	\$7,775,589	\$9,835,438
Fixed assets (Net)	4,760,465	5,280,476
Other assets	940,277	867,307
Total	13,476,331	15,983,221
Liabilities and net worth		
Current liabilities	2,197,870	4,377,430
Other liabilities	331,327	306,249
Net worth (Capital and reserves)	10,947,134	11,299,542
Total	13,476,331	15,983,221

The number and value of facilities owned and operated by FCX and its affiliated service stores and marketing units on June 30, 1957, were:

<u>Facilities</u>	<u>Number of plants or units</u>	<u>Cost value</u>	<u>Depre- ciated value</u>
Regional--Wholesale			
Farm supply warehouses	5	\$885,885	\$717,248
Equipment in warehouses and plants ¹	-	150,713	89,003
Fertilizer mixing plants	2	857,046	589,435
Seed-cleaning plants	4	216,394	101,206
Feed mill	1	434,105	314,814
Grain elevator	1	65,378	49,764
Office building	1	488,873	401,964
Subtotal	-	3,098,394	2,263,434
Local--Retail			
Farm supply stores ²	31	1,576,550	1,374,052
Seed cleaning plants	14	62,158	38,437
Equipment in warehouses and plants ¹	-	1,025,248	744,734
General delivery trucks	215	515,942	188,058
Other facilities	-	157,599	151,670
Subtotal	-	3,337,497	2,496,951
Total	-	6,435,891	4,760,385

¹Exclusive of seed cleaners and trucks.

²Represents stores operating in buildings owned by FCX.

FCX and Southern States Cooperative, Inc., also jointly manufacture feed in Norfolk and Roanoke, Va., and fertilizer in Norfolk. The FCX investment in these facilities and in federations of regional cooperatives which operated manufacturing and wholesale facilities amounted to \$231,400.

On June 30, 1958, the FCX system had 695 employees. Of these, 130 were engaged primarily in general and administrative activities, 120 in manufacturing and processing operations, 82 in wholesale distribution including warehousing and transportation, 337 in retail distribution, and 26 in marketing.

M.F.A. Milling Company

The M.F.A. Milling Company, with headquarters in Springfield, Mo., was organized in 1923 and reorganized on its present basis in 1929. At the end of its operating year on June 30, 1959, it was serving 120 local M.F.A. farmer cooperative exchanges with approximately 85,000 farmer-members. In addition, through arrangements with regional supply cooperatives in Arkansas and Mississippi, and through direct arrangements with locals in Oklahoma, Kansas, Texas, and Louisiana, 30,000 farmers obtained feed from M.F.A. Milling Company at 204 local outlets in these six States.

The M.F.A. Milling Company, the largest regional purchasing association affiliated with the Missouri Farmers Association, is owned by local M.F.A. cooperatives in southern Missouri. The local cooperatives, in turn, are owned by the M.F.A. members they serve. The M.F.A. Milling Company is organized on a nonstock, nonprofit plan and is financed by patrons' equities. Membership may be secured by a \$25 purchase at a local cooperative. Each member cooperative has only one vote.

The local M.F.A. exchanges served by the M.F.A. Milling Company constitute its Class B membership. They elect one half its 12-man board of directors by districts for 1-year terms. The other half of the board is named by the State board of directors of the Missouri Farmers Association, which constitutes the Class A membership of the milling company. These directors are appointed for a term of one year. None of the local co-ops is under management or supervision agreements with the M.F.A. Milling Co.

The M.F.A. Milling Company distributed supplies at wholesale during the fiscal years ended June 30, 1957 and 1958, as follows:

<u>Commodities</u>	<u>1957</u>	<u>1958</u>
Feed	\$30,464,497	\$29,150,790
Seed	1,125,640	1,331,181
Total	31,590,137	30,481,971

Net margins available to patrons and their distribution for the 1957 and 1958 fiscal years were:

<u>Distribution of net margins</u>	<u>1957</u>	<u>1958</u>
Cash patronage refunds to <u>current</u> year's patrons	\$ 1,375,372	\$ 1,005,666
Additions to membership equity reserves under revolving capital plan	-0-	349,750
Total	1,375,372	1,355,416

For several years M.F.A. Milling Company has operated on approximately a 5-year revolving capital plan. For the year ended June 30, 1957, however, the total net savings of \$1,375,372 were paid back to the current year's equity holders. For the year ended June 30, 1958, the company paid \$1,005,666 on the current year's equities and added \$349,750 to member equities in the revolving capital fund.

Total net margins since June 30, 1935 have been \$18,560,111. Of this amount, M.F.A. Milling Company paid \$14,560,111 as cash patronage refunds and retained the remaining

\$4,000,000 as membership equity reserves for capital purposes. During this period it produced \$105,035,042 bags of feed with a sales value of \$396,879,776.

The following condensed statement shows the financial condition of the M.F.A. Milling Company on June 30, 1957 and 1958:

	<u>1957</u>	<u>1958</u>
Assets		
Current assets	\$3,084,004	\$4,629,813
Fixed assets (net)	2,837,813	2,475,665
Other assets	246,304	268,225
Total	6,168,121	7,373,703
Liabilities and net worth		
Current liabilities	1,084,860	2,280,654
Other liabilities	31,110	60,000
Net worth	5,052,151	5,033,049
Total	6,168,121	7,373,703

On June 30, 1958, operating facilities of the M.F.A. Milling Company consisted of the following:

<u>Facilities</u>	<u>Number of plants or units</u>	<u>Cost value</u>	<u>Depre- ciated value</u>
Mill buildings, machinery, and equipment	2	\$4,899,550	\$2,342,925

The M.F.A. Milling Company, on June 30, 1958, had 407 employees--256 in Springfield and 151 in Aurora. Of these, 22 were engaged in general and administrative activities, 370 in manufacturing and processing operations, and 15 in wholesale distribution and field service work.

Poultry Producers of Central California

The Poultry Producers of Central California, a centralized farmer cooperative with headquarters in San Leandro, Calif., was incorporated in October 1916 and began operating in January of the following year. Originally, its sole purpose was marketing eggs, but in 1926 its activities were expanded to include the manufacture and distribution of feeds for poultry, dairy, and other types of livestock, and the marketing of poultry.

This association operated in a rather restricted region. It had 10,482 members on December 31, 1958, who were served through 43 branches and 4 agency cooperatives throughout the central coast and central valley counties of California north of Monterey and Merced Counties. All branches serve as receiving stations for members' eggs and distribution centers for the association's feeds. Poultry Producers owns and operates 3 egg packing plants and 5 feed mills. Consolidation of egg plants accounted for a smaller number than in previous years.

According to the bylaws, membership in this association is open to any agricultural producer or cooperative poultry marketing association. A membership fee of \$10 must be paid and producers must sign an egg marketing agreement as a condition of membership. By resolution of the board of directors, applicants should be potential patrons of any or all departments of the association to the extent of \$500 a year. Continuation of active membership requires minimum patronage of \$100 annually in any or all departments. The initial membership fee of \$10 is refunded if a member withdraws from the association.

Each member has one vote by reason of membership, plus one vote for each \$250 worth of eggs marketed, for each \$250 worth of poultry (including turkeys) marketed, and for each \$500 worth of feed and supplies purchased annually. The association has 11 directors. Ten are elected from 6 districts in the State for staggered terms of 2 years. One director-at-large is elected annually for a term of 1 year. A nominee may be proposed by the vice president of Agricultural Sciences, University of California, or by the State Director of Agriculture in California. If approved by at least 8 members of the association's board of directors his name shall be submitted for the office at the annual meeting.

Under the egg marketing agreement, the member agrees to market through the association all the eggs he produces other than those sold to hatcheries or retained for home or farm use. This agreement further provides that eggs be pooled according to grade, and members shall receive weekly advance payments based upon volume, quality, and grade of eggs delivered to the association during the preceding week. These payments are followed by an annual deferred or final settlement representing the difference between costs of marketing and handling and returns from the final sale of eggs.

Patronage of the feed and poultry departments has always been on a voluntary basis. Since early 1957 the association has provided for "nonmember patronage agreements" whereby a producer can receive patronage refunds on his purchase of feeds and supplies, even though he does not have voting privileges. Such agreement, however, may be terminated by the board of directors on 15 days notice.

Volume of feed and supplies distributed to patrons by the association during the fiscal years ending December 31, 1958 and 1957, was:

<u>Commodities</u>	<u>1957</u>	<u>1958</u>
Feed	\$21,047,832	\$22,277,795
Petroleum products	2,213,814	2,444,736
Farm supplies and equipment	1,125,397	1,618,206
Total	24,387,043	26,340,737

In 1957, the association sold 268,979 tons of feed--125,847 tons of this delivered in bulk by 34 trucks. In 1958, it sold 292,202 tons--173,691 tons of this delivered in bulk by 43 trucks and trailers.

In addition to feeds and feedstuffs, members may purchase a wide range of farm supplies through the association. Principal supply items include aluminum roofing and siding, fencing materials, poultry house equipment, farm refrigeration equipment, tires and batteries, drugs, and insecticides. Petroleum products of a major oil company are distributed on a cooperative basis to members of the association by special agreement.

The association's poultry marketing activities have been quite restricted. Its volume of eggs marketed the last two years has been as follows:

<u>Eggs</u>	<u>1957</u>	<u>1958</u>
Dollar volume	\$25,014,222	\$25,279,604
Number of cases	1,868,319	1,834,977

All deferred payments to egg shippers and net margins of the feed and supply department of the association were allocated to patrons in proportion to their patronage. The amounts and their distribution for 1957 and 1958 were:

Distribution of deferred payments and net margins		1957	1958
Egg deferred payments		None ¹	None ¹
Feed capital fund credits		\$1,780,573	\$1,967,290
Feed revolving fund credits		205,104	208,881
Feed reserve for contingencies		None ¹	77,519
Total		1,985,677	2,253,690

¹Due to a reduction of 1 cent a dozen of eggs in the operating budget, effective in 1957.

Before 1924, Poultry Producers of Central California was financed by issuance of stock to the members. Since 1924, revolving funds have constituted its basis for capitalization. Separate capital revolving funds are maintained for the egg, feed, and poultry departments.

The feed capital fund provides for the normal capital requirements of the feed department. Members' credits in the feed and egg capital funds are represented by interest-bearing certificates. The feed revolving fund is noninterest-bearing and noncertificated; it has been set aside annually since 1941 as a special revolving reserve primarily to cushion sudden declines in feed inventory values. The egg capital fund has generally been revolved on a 2-1/2-year basis, the feed capital fund on a 2-1/2-year basis, the feed revolving fund on a 3-year basis.

The general capital fund, created and maintained from the sale of general capital fund certificates to members, was established in 1953 and has not yet been revolved. The length of its revolving cycle is therefore indeterminate; it is anticipated, however, that this cycle will exceed that of the egg and feed capital funds.

During 1957, the association retired, in cash, revolving fund credits totaling \$449,763. In 1958, it retired \$371,797.

During the past 13 years, 1946 through 1958, the association handled a total business volume of \$661 million. Net savings totaled \$36,568,000 of which \$31,161,000 was feed and supply net margins and \$5,407,000 was egg deferred payments.

The financial condition of Poultry Producers of Central California as of December 31, 1957 and 1958, is indicated in the following condensed balance sheet:

	1957	1958
Assets		
Current assets	\$9,765,958	\$12,142,896
Fixed assets (net)	6,123,198	6,966,373
Other assets	307,697	225,172
Total	16,196,853	19,334,441
Liabilities and net worth		
Current liabilities	3,838,020	6,369,555
Deferred liabilities	745,272	900,000
Net worth	11,613,561	12,064,886
Total	16,196,853	19,334,441

At the close of 1958, the principal facilities owned by the association were:

<u>Facilities</u>	<u>Cost value</u>	<u>Depre- ciated value</u>
Land	\$559,597	\$559,597
Buildings, improvements, leasehold improvements	4,908,010	3,666,446
Autos and trucks	1,742,096	871,098
Egg department	549,016	223,700
Feed department equipment	2,340,296	786,617
Facilities under construction	740,476	740,476
Other	410,272	118,439
Total	11,249,763	6,966,373

The association also had \$26,400 invested in federations of regional cooperatives which owned manufacturing and wholesaling facilities.

During 1958, the association employed an average of 998 men and women. Of these employees, 92 were engaged in administrative and general activities, approximately 257 devoted a major portion of their time to operations of the feed and supply department, approximately 309 worked in the egg and poultry departments, and 340 were jointly employed by the feed and supply and the egg departments as warehousemen, truck drivers, clerks, accountants, and related occupations.

Pennsylvania Farm Bureau Cooperative Association

The Pennsylvania Farm Bureau Cooperative Association, with headquarters at Harrisburg, was organized in 1934. At the close of 1958, it was serving 34 member associations operating on a countywide basis, with 72,000 patrons, 95 percent of them farmers. Thirteen of the county associations were under management of the State association. Supplies also were distributed by five retail stores and 22 private dealer agents who operated directly through the Farm Bureau Cooperative Distribution Association, Harrisburg, Pa. During 1958, it had 5,000 patrons, approximately 95 percent of them farmers. The total service area of the State association comprised 53 counties in Pennsylvania.

Membership in the association is limited to local agricultural cooperatives and is obtained by acquiring a \$25 share of common stock and agreeing to comply with the bylaws. Each association has only one vote. The association has 34 directors, one from each of its member associations, elected for staggered terms of 3 years.

This regional cooperative distributed supplies at wholesale for the fiscal years ending December 31, 1957 and 1958, as follows:

<u>Commodities</u>	<u>1957</u>	<u>1958</u>
Feed	\$7,923,087	\$9,090,149
Fertilizer	2,978,932	3,029,880
Seed	1,303,932	1,144,716
Petroleum products	7,162,410	7,666,380
Tires, tubes, and other accessories	529,722	565,962
Farm machinery and parts	296,431	304,553
Farm equipment	828,930	1,042,319
Steel products	634,158	856,708
Lumber, paint, and other maintenance equipment	219,966	206,471
Insecticides	523,319	571,004
Electrical equipment and appliances	159,212	240,203
Twine	214,884	203,502
Chicks, turkeys, and broilers	411,124	641,802
Total	23,186,107	25,563,649

The value of grain marketed by the association was \$833,587 in 1957 and \$661,031 in 1958.

Net margins available to patrons and their distribution during the last two years were:

<u>Distribution of net margins</u>	<u>1957</u>	<u>1958</u>
Cash dividends on capital stock	\$89,041	\$87,430
Patronage refunds		
Capital stock	-0-	-0-
Cash	137,889	265,442
Additions to capital reserves	<u>25,584</u>	<u>30,882</u>
Total	252,514	383,754

Almost all net margins in 1957 and 1958 were derived from farm supply operations with only a small percent from marketing operations.

Total net margins available to patrons since organization in 1934 have been \$7,723,243. Of this amount, \$1,647,514 was paid as cash dividends on capital stock; \$586,031 was paid currently as patronage refunds in cash; \$3,316,280 was paid as patronage refunds in capital stock; and the remaining \$2,173,418 was retained as capital reserves. The total amount of capital stock (representing patronage refunds) retired as of December 31, 1954, has been \$420,125. Since then capital stock holdings have been adjusted annually on the basis of each member's volume.

The financial condition of the Pennsylvania Farm Bureau Cooperative Association on December 31, 1957 and 1958, was:

	<u>1957</u>	<u>1958</u>
Assets		
Current assets	\$3,999,514	\$3,861,219
Fixed assets (net)	1,453,362	1,647,713
Other assets	<u>4,060,101</u>	<u>3,878,827</u>
Total	9,512,977	9,387,759
Liabilities and net worth		
Current liabilities	1,955,002	1,751,307
Other liabilities	997,392	1,045,319
Net worth (capital and reserves)	<u>6,560,583</u>	<u>6,591,133</u>
Total	9,512,977	9,387,759

On December 31, 1958, the principal operating facilities of the Pennsylvania Farm Bureau Cooperative Association consisted of the following:

<u>Facilities</u>	<u>Number of plants or units</u>	<u>Depre- ciated value</u>
Feed mill and seed cleaning plant	1	\$574,000
Wholesale farm supply warehouses	2	152,000
Office building	1	303,000
Transport trucks and trailers	36	146,000
Hatcheries	2	109,000
Poultry breeding farm	1	68,000
Feed evaluation farm	1	119,000
Automobiles	63	89,000
Miscellaneous	-	<u>88,000</u>
Total	-	1,648,000

The association also held investments of \$3,525,000 in federated regional and national cooperatives and allied companies which owned various manufacturing and wholesaling facilities.

On December 31, 1958, the Pennsylvania Farm Bureau Cooperative Association had 324 employees. Of these, 157 were engaged in general and administrative activities, 78 in manufacturing and processing operations, and 89 in wholesale distribution, including warehousing and transportation.

Pacific Supply Cooperative

The Pacific Supply Cooperative, commonly known as P.S.C., with headquarters at Walla Walla, Wash., was organized December 10, 1933. At the close of its operating year, June 30, 1958, it was serving 112 member associations in Oregon, Washington, Idaho, and northwestern Wyoming. Patrons of these associations numbered about 58,500, and 95 percent were farmers. It also served 125 nonmember associations. None of the local co-ops served was under management or supervision agreements with P.S.C.

Membership in Pacific Supply Cooperative is acquired by purchasing 10 shares of Class A common stock at \$100 per share and agreeing to the provisions of the bylaws. Also, each member subscribes to additional shares annually in amounts not exceeding 20 percent of annual net margins to each member but shall not be required to own more than 500 shares of such stock. Each member association has only one vote. P.S.C. has 7 directors elected by districts for staggered terms of 2 years.

P.S.C. distributed supplies at wholesale during the fiscal years ending June 30, 1957 and 1958, as follows:

<u>Commodities</u>	<u>1957¹</u>	<u>1958</u>
Feed and grain	\$600,269	\$537,522
Fertilizer	4,913,312	5,870,808
Seed	159,277	181,179
Gas, oil, grease, and fuel oil ²	12,504,445	12,114,598
Tires, tubes, and other automotive supplies	784,230	975,500
Insecticides and chemicals	630,560	815,735
Hardware ³	1,417,447	1,688,582
Farm mechanical items ⁴	1,404,210	1,284,660
Miscellaneous supplies	35,002	52,219
Total	22,448,752	23,520,803

¹Revised.

²Includes revenue from transports and repair shop totaling \$763,306 in 1958 and \$757,491 in 1957.

³Includes lumber, paint, steel products, and other maintenance items.

⁴Includes farm machinery and parts representing about 30 percent, and general farm equipment, home appliances, and irrigation equipment representing 70 percent.

Relatively small amounts of supplies also are retailed from one petroleum plant and five seed and grain plants operated by P.S.C.

Pacific Supply Cooperative also marketed farm products in 1957 and 1958 as follows:

<u>Commodities</u>	<u>1957</u>	<u>1958</u>
Seed marketed	\$3,002,381	\$4,249,578
Grain marketed	3,992,637	2,999,882
Total	6,995,018	7,249,460

Total net savings, before dividends and interest on capital, from all operations available to patrons and their distribution in fiscal 1957 and 1958 were:

<u>Distribution of net savings</u>	<u>1957¹</u>	<u>1958</u>
Cash dividends on preferred stock and interest on capital reserve certificates	\$77,965	\$75,882
Patronage refunds		
Cash or equivalent on current business	10,767	9,785
Capital reserve certificates	287,024	289,418
Common stocks and credits	53,049	60,308
Additions to general reserves	-0-	-0-
Total	428,805	435,393

¹Revised.

Almost all the net savings were derived from farm supply operations both years.

In its 1956-57 fiscal year, the association did not retire any certificates originally issued as patronage refunds, but it retired \$104,730 of such certificates in 1957-58. The association now has retired all such certificates through the first half of 1946 under its revolving capital plan.

Total net savings available to patrons, before dividends and interest on capital, since organizing in 1933 have been \$8,616,682. They have been distributed as follows: Cash dividends and interest on capital stock and certificates, \$699,894; cash patronage refunds and revolving of capital reserve certificates, \$2,205,437; capital reserve certificates, \$3,945,929 which will be revolved; capital stock and stock credits, \$1,172,291; and general reserve, \$593,131.

The financial condition of PSC on June 30, 1957 and 1958, was:

	<u>1957</u>	<u>1958</u>
Assets		
Current assets	\$5,439,657	\$5,450,968
Fixed assets (net).	2,638,944	2,816,821
Other assets and investments	1,599,599	1,818,127
Total	9,678,200	10,085,916
Liabilities and net worth		
Current liabilities	2,697,984	3,065,320
Other liabilities	78,340	31,399
Net worth or member and patron equities	6,901,876	6,989,197
Total	9,678,200	10,085,916

Member equity (capital account) on June 30, 1958, consisted of the following items:

Preferred stock	\$1,073,750
Common stock - class A	954,800
Common stock - class B	116,000
Common stock credits	11,180
Capital reserve certificates	
2% converted certificates	1,056,674
New series certificates	2,599,836
General reserves	583,855
Special permanent reserve	233,591
Undivided margins	359,511
Total	6,989,197

On June 30, 1958, PSC owned and operated the following principal facilities (land, buildings, and equipment are included with each type):

<u>Facilities</u>	<u>Number of plants or units</u>	<u>Cost value</u>	<u>Depre- ciated value</u>
Wholesale farm supply warehouses	3	\$141,862	\$55,747
Wholesale fertilizer warehouses	3	50,805	24,736
Chemical and dry fertilizer plants	5	462,021	203,438
Liquid fertilizer plants	51	231,421	161,653
Seed, bean, and grain plants	5	960,832	473,173
Leased crude oil properties and equipment . . .	--	1,628,065	1,126,799
Highway transports	22	458,447	80,030
Office	1	364,756	294,032
Petroleum tank farm land and other facilities . .	--	527,506	316,517
Construction in progress	--	80,696	80,696
Total	--	4,906,411	2,816,821

The association also held investments of \$242,015 in federations of regional cooperatives which operated manufacturing and wholesaling facilities.

On June 30, 1958, Pacific Supply Cooperative had 269 employees. Of these, 78 were engaged in general administrative activities, 19 in manufacturing and processing operations, 136 in wholesale distribution, and 36 in marketing farm products.

Farm Bureau Services, Inc.

The Farm Bureau Services, Inc., with headquarters at Lansing, Mich., was organized on October 25, 1929, to provide a cooperative wholesale supply service for farmer cooperatives in Michigan. At the end of its fiscal year on August 31, 1958, this cooperative was serving some 100,000 patrons through its 148 member associations, 21 nonmember associations, 16 branch retail outlets, and 160 private dealer outlets. Farmers represented approximately 90 percent of the patrons of the retail outlets. Farm Bureau Services, Inc., managed 18 of the member associations under management contracts.

Farm Bureau Services, Inc., is both a federated and centralized cooperative, and performs both wholesale and retail services. Local farmer cooperatives may become members by acquiring one share of Class A common stock, which has no par value, and agreeing to comply with the bylaws. Each share carries one vote. The Michigan Farm Bureau Federation holds a majority of the outstanding shares. Membership in the local cooperatives is not limited to Farm Bureau members.

Individual farmers who are served primarily by retail branches or dealer-agents of the State organization may become members of Farm Bureau Services, Inc., by acquiring one share of common stock at \$1 par value. This stock also has voting rights. There were approximately 14,561 of these members at the end of the 1958 fiscal year.

The board of directors of Farm Bureau Services, Inc. is made up of five members of the Michigan Farm Bureau board and four members elected from the State at large.

The regional's wholesale division⁷ distributed supplies during the fiscal years ending August 31, 1957 and 1958, as follows:

⁷Beginning January 1, 1949, the distribution of petroleum products was handled through a separate corporation, the Farmers Petroleum Cooperative, Inc. Its volume of business for the year ended August 31, 1957 was \$6,499,884. Net savings totaled \$298,174. This compared with a volume of \$7,182,735 and net savings of \$496,263 for the year ended August 31, 1958.

<u>Commodities</u>	<u>1957</u>	<u>1958</u>
Feed	\$3,740,608	\$4,222,298
Fertilizer	5,791,013	5,845,141
Seed	1,166,299	1,095,112
Steel products	1,075,047	1,097,448
Lumber, paint, and other maintenance equipment	764,063	835,882
Insecticides	266,480	451,499
Coal	152,496	190,689
Dairy and appliances	330,868	284,130
Total	13,286,874	14,022,199

This wholesale volume included the supplies transferred to its own retail branch outlets amounting to \$4,520,681 in 1957 and \$5,320,471 in 1958.

In addition to the central office wholesale supply operations, the retail value of supplies distributed through branch outlets owned by the association amounted to \$8,071,258 in 1957 and \$8,960,834 in 1958.

While Farm Bureau Services, Inc., is primarily a farm supply purchasing cooperative, it marketed farm products during the fiscal years ended August 31, 1957 and 1958, as follows:

<u>Commodities</u>	<u>1957</u>	<u>1958</u>
Grain	\$2,003,781	\$2,043,790
Beans	729,500	128,819
Eggs and poultry	50,243	-0-
Total	2,783,524	2,172,609

Total net margins, after Federal income taxes, available to patrons from all operations, and their distribution for 1957 and 1958 fiscal years were:

<u>Distribution of net margins</u>	<u>1957</u>	<u>1958</u>
Cash dividends on capital stock	\$22,432	\$17,797
Patronage refunds payable in capital stock	209,397	322,412
Additions to capital reserves	225,192	62,403
Total	457,021	402,612

In 1957, the association retired stock or certificates amounting to \$142,590, originally issued in payment of patronage refunds. In 1958, it retired \$209,310. The association has now retired all such stock or certificates through 1945 under its revolving capital plan.

Total net margins, after Federal income taxes, since organizing in 1929 have been \$4,946,971. Of this amount, the association paid \$555,880 as cash dividends on capital stock, \$43,497 as cash patronage refunds, \$3,944,679 as patronage refunds in the form of capital stock and debentures, and retained the remaining \$402,915 in general reserves. The association has retired a total of \$854,239 of capital stock and debentures under its revolving capital plan of financing since organization.

The financial condition of Farm Bureau Services, Inc., as of August 31, 1957 and 1958, is shown by the following condensed statement:

	1957	1958
Assets		
Current assets	\$3,724,536	\$4,559,822
Fixed assets (Net)	3,668,270	3,725,874
Other assets	1,080,605	920,940
Total	8,473,411	9,206,636
Liabilities and net worth		
Current liabilities	1,238,592	1,763,008
Other liabilities ¹	4,362,600	830,000
Net worth or member and patron equities	2,872,219	6,613,628
Total	8,473,411	9,206,636

¹Includes liability on debentures as follows:

	1957	1958
4 percent - 10-year debentures	\$ 581,680	\$ 269,430
3 percent - 15-year debentures	587,890	584,530
5 percent - 15-year debentures	2,338,030	2,770,550
Total	3,507,600	3,624,510

Value of the principal operating facilities owned on August 31, 1958, was:

Facilities	Number of plants or units	Cost value	Depre- ciated value
Wholesale farm supply warehouse ¹	6	\$518,698	\$366,478
Seed cleaning plant and warehouse	1	377,824	311,042
Retail farm supply branches ¹	16	1,219,308	890,567
General delivery truck	46	154,025	53,380
Portable feed mixing units	6	101,214	37,302
Office equipment	-	186,769	94,994
Transportation department trucks, trailers, and tractor-trailer units	17	194,530	91,804
Bulk petroleum plants	2	29,255	10,315
Fertilizer manufacturing plants	2	3,086,648	1,840,045
Retail gasoline station and garage (leased)	1	47,249	29,947
Total		5,915,520	3,725,874

¹Six of these units are combination wholesale and retail units. Cost and depreciated values have been divided according to use.

Farm Bureau Services also had \$770,400 invested in federations of regional cooperatives which operated various manufacturing and wholesaling facilities.

At the end of its fiscal year on August 31, 1958, Farm Bureau Services, Inc., had 439 employees. Of these, 73 were engaged in general administrative activities, 105 in manufacturing and processing operations, 139 in wholesale distribution, 89 in retailing and marketing, and 33 in handling contractual services for the affiliated Michigan Farm Bureau.

Tennessee Farmers Cooperative

The Tennessee Farmers Cooperative, LaVergne, was organized on September 27, 1945. At the end of 1958, it was serving 88 county cooperatives in Tennessee, 79 of them members. These associations were serving about 135,000 patrons, 90 percent of them farmers. None of the locals was under management and financing arrangements with the State association.

Membership is obtained by purchasing a \$100 share of common stock and agreeing to provisions of the bylaws. Each member association has only one vote. The State association has seven directors elected by districts for staggered terms of 3 years and one public director elected by the seven. Tennessee Farmers Cooperative is independent of the Tennessee Farm Bureau Federation, but frequently one or more directors may be on the board of both organizations. The same relationship exists among the county cooperatives and county farm bureaus.

Tennessee Farmers Cooperative distributed supplies at wholesale during fiscal years ended December 31, 1957 and 1958 as follows:

<u>Commodities</u>	<u>1957</u>	<u>1958</u>
Feed	\$1,902,183	\$2,861,042
Fertilizer	6,207,216	6,327,901
Seed	1,751,335	2,120,078
Building Supplies and hardware	1,416,950	1,851,589
Petroleum products	2,822,512	3,519,966
Other	285,678	374,668
Total	14,385,874	17,055,244

Net margins available to patrons and their distribution in 1957 and 1958 were:

<u>Distribution of net margins</u>	<u>1957</u>	<u>1958</u>
Cash dividends on capital stock	\$117,833	\$143,710
Patronage refunds paid in preferred stock	329,970	500,680
Additions to allocated reserves	27,202	55,640
Total	475,005	700,030

In addition to net margins available to patrons at the end of 1958, the association paid out \$389,227 in cash during the year to the county co-ops on special performance programs. The amount of such refunds in 1957 was \$317,921.

T.F.C. has operated on a revolving capital plan, which has not been under a firm advance commitment. Allocated reserves are now revolved on an 8-year basis and preferred stock on a 10-year basis. In 1958, the association retired all of the 1951 allocated reserves totaling \$134,065 and all preferred stock through 1948. In January, 1959, the association recalled preferred stock issued in 1949 totaling \$25,410.

Total net margins available for patrons since organization in 1945 was \$3,140,313. Of this amount, the association paid \$553,744 as cash dividends on capital stock, \$55,758 in cash patronage refunds, and allocated and retained \$2,530,811.41 as allocated reserves or preferred stock. The cooperative has retired member equities totaling \$336,546 since organizing.

The financial condition of Tennessee Farmers Cooperative on December 31, 1957 and 1958, is shown in the following condensed statement:

	<u>1957</u>	<u>1958</u>
Assets		
Current assets	\$1,852,051	\$2,390,886
Fixed assets (net)	1,739,414	1,961,167
Other assets	263,826	267,019
Total	3,855,291	4,619,072

	<u>1957</u>	<u>1958</u>
Liabilities and net worth		
Current liabilities	\$567,466	\$795,340
Other liabilities	393,565	314,500
Net worth or member and patron equities	<u>2,894,260</u>	<u>3,509,232</u>
Total	3,855,291	4,619,072

On December 31, 1958, about 83 percent of the association's net worth was represented by stock, and of this amount approximately 63 percent was held by member cooperatives. The remaining 17 percent had been accumulated through allocated reserves.

The operating facilities owned by Tennessee Farmers Cooperative on December 31, 1958, were:

<u>Facilities</u>	<u>Number of plants or units</u>	<u>Cost value</u>	<u>Depre- ciated value</u>
Fertilizer plants (including rail sidings and land)	3	\$839,988	\$459,614
Seed plant	1	147,018	104,428
Warehouses	3	332,797	274,088
Trucks and auto	10	86,227	65,506
Feed mill	1	1,071,572	989,629
Other (includes tire recapping plant under construction)	1	<u>105,075</u>	<u>67,902</u>
Total		2,582,677	1,961,167

Tennessee Farmers Cooperative also had \$267,020 invested in federations of regional cooperatives which operated manufacturing and wholesaling facilities.

As of December 31, 1958, the cooperative had 210 employees. Of this number, 42 were engaged in general and administrative activities, 128 in manufacturing or processing supplies, and 40 in wholesale distribution, including warehousing and transportation.

Central Cooperatives, Inc.⁸

Central Cooperatives, Inc., often referred to as CCI, with headquarters at Superior, Wis., was organized on September 16, 1917. At the close of its operating year on November 30, 1958, it was serving 236 member and 50 nonmember cooperatives in the northern parts of Michigan, Wisconsin, Minnesota, and some parts of North and South Dakota. These cooperative outlets served approximately 100,000 patrons, 75 percent of them farmers. None of these local cooperatives was operating under management or supervision agreements with CCI.

Membership in CCI is obtained by acquiring a \$100 share of common stock and agreeing to comply with its bylaws. Each member cooperative has one vote for every 50 members in the local cooperative, provided it owns one share of CCI's common stock for each 50 members. CCI has 11 directors elected on a district basis for staggered terms of 3 years.

This association distributed supplies at wholesale during fiscal years ended November 30, 1957 and 1958, as follows:

⁸Members voted on March 26-27, 1957, to change name from Central Cooperative Wholesale to its present name.

<u>Commodities</u>	<u>1957</u>	<u>1958</u>
Feed	\$2,169,020	\$2,046,996
Fertilizer	372,717	440,000
Seeds	150,126	161,000
Petroleum products	2,139,414	2,136,989
Tires, tubes, and other accessories	405,802	412,781
Steel products	146,891	154,652
Lumber, paints, and other maintenance equipment	402,042	432,767
Insecticides	26,320	26,934
Electrical equipment and appliances	701,417	506,547
Hardware	396,269	392,310
Twine	69,339	71,695
Coal	90,048	70,098
Groceries	5,057,205	6,155,476
Fresh fruits and vegetables	589,389	704,658
Bakery products	387,254	409,589
Coffee	501,822	488,531
Clothing	799,235	833,226
Plumbing and heating equipment	-0-	208,715
Total	14,404,310	15,652,964

Net margins available to patrons and their distribution in fiscal years 1957 and 1958 were:

<u>Distribution of net margins</u>	<u>1957</u>	<u>1958</u>
Cash dividends on capital stock	\$26,688	\$25,202
Patronage refunds in capital stock	338,797	168,466
Additions to unallocated surplus	6,391	10,004
Total	371,876	203,672

Stocks or certificates amounting to \$44,800, originally issued in payment of patronage refunds, were retired during 1957 and \$63,600 in 1958. The association has now retired all such stock or certificates through the first half of 1943 under its revolving capital plan.

Total net margins available for patrons since organization have been \$4,533,447. Of this amount, CCI paid \$545,878 as dividends on capital stock and \$3,828,036 as patronage refunds in capital stock, and retained the remaining \$159,533 as unallocated surplus. It has retired a total of \$468,500 of capital stock (representing patronage refunds) under its revolving capital plan.

The financial condition of CCI on November 30, 1957 and 1958, is shown in the following statement:

	<u>1957</u>	<u>1958</u>
Assets		
Current assets	\$2,657,746	\$2,860,473
Fixed assets (net)	523,701	582,228
Other assets	1,528,165	1,605,487
Total	4,709,612	5,048,188
Liabilities and net worth		
Current liabilities	642,719	725,784
Long-term notes	374,370	555,250
Net worth (capital and reserves)	3,692,523	3,767,154
Total	4,709,612	5,048,188

On November 30, 1958, principal facilities owned and operated by CCI consisted of the following:

<u>Facilities</u>	<u>Number of plants or units</u>	<u>Cost value</u>	<u>Depre- ciated value</u>
Land	-	\$67,696	\$67,696
Warehouse and office (buildings and equipment) .	4	568,434	307,240
Bakery (building and equipment)	1	118,927	26,707
Coffee roasting plant (equipment)	1	21,027	5,175
Feed mill (building and equipment)	1	168,717	34,668
Garage and delivery equipment	2	290,240	140,742
Total	-	1,235,041	582,228

CCI also had \$1,605,487 invested in federations of regional cooperatives operating various manufacturing and wholesaling facilities.

On November 30, 1958, CCI had 219 employees. Of these 107 were engaged in general and administrative activities, 42 in manufacturing and processing operations, and 70 in wholesale distribution, including warehousing and transportation.

Poultrymens Cooperative Association of Southern California

The Poultrymens Cooperative Association of Southern California (PCA), with headquarters in Los Angeles, was organized in January, 1931. It was formed to acquire most of the physical assets and business of cooperative egg marketing and poultry feed milling associations owned by poultrymen in the area. PCA is a centralized cooperative which had 1,667 members on March 31, 1958. It serves an area comprising most of eight counties in the vicinity of Los Angeles. All but one-half of 1 percent of its business was done with members in 1958.

Any person, company, corporation, or partnership engaged in poultry and egg production is eligible for membership, provided the operator has a project consisting of 400 laying hens or its equivalent. The membership fee is \$10. Each member has a minimum of one vote and receives an additional vote for each \$5,000 of yearly business with the association up to a maximum of five votes.

PCA has seven directors elected by districts on a staggered basis for terms of 3 years. Each district has an informal local organization which functions in an advisory capacity to PCA, and as an educational agency for its members.

PCA serves feed and supply patrons through seven branch plants in addition to the headquarters facilities. The central plant at Los Angeles consists of complete feed manufacturing and pelleting equipment, bulk grain storage, bulk feed delivery equipment, an egg handling department, central supply department, and general offices. All branches except two have feed manufacturing facilities. One is a retail store and one serves as an agency for handling PCA feeds. Bulk feed delivery is available in all districts. Eggs are candled and sold at the Los Angeles central plant.

PCA distributed supplies and equipment to patrons during the fiscal years ended March 31, 1957 and 1958, as follows:

<u>Commodities</u>	<u>1957</u>	<u>1958</u>
Feed	\$13,360,225	\$11,161,238
Miscellaneous supplies (mostly poultry supplies and equipment)	266,165	274,996
Total	13,626,390	11,436,234

Feed volume in the 1958 fiscal year was 151,758 tons, with about 84 percent delivered in bulk by 32 specially equipped trucks operated by the association. This compares with 165,162 tons in 1957--79 percent delivered in bulk by 33 trucks.

PCA has always performed egg marketing services for its members. Sales of eggs totaled \$2,831,505 during fiscal year 1957 and \$3,197,895 during 1958. A total of 7,893,918 dozen was marketed in 1958.

Net margins available to patrons and their distribution in 1957 and 1958 fiscal years were:

<u>Distribution of net margins</u>	<u>1957</u>	<u>1958</u>
Patronage refunds		
Cash	\$676,611	\$232,425
Revolving fund credits	357,004	319,761
Additions to general reserves	-28,642	-14,927
Total	1,004,973	537,259

Net margins, or savings, are computed separately for the feed, supply, and egg departments and returned to all members on a patronage basis with the same rates declared for all branches. During 1958, about 42 percent of the feed and supply department overages on member business was paid as a cash refund. The remaining 58 percent plus the entire egg department overage, which is small because of the policy of advances to members, was retained in the revolving fund.

During fiscal year 1957, PCA retired in cash \$323,917 of revolving fund credits for the 1949-50 fiscal year. During 1958, it retired credits of \$384,639 for the 1950-51 fiscal year.

Total net margins available to patrons since organizing in 1931 were \$10,516,300. Of this amount, PCA retired in cash \$2,300,100 in revolving fund credits, paid \$5,303,500 in cash patronage refunds, and retained the remaining \$2,912,700 in revolving fund credits and general reserves for capital purposes.

PCA has a system of financing that is somewhat unusual for most areas except the West. Practically all of its member capital is represented by a 7-year revolving fund. Capital is accumulated by retaining capital overcharges or markups on feed and supplies which are added to the billing prices to members, and by retaining a fixed percent of the returns received for products marketed for members. These capital overcharges or retains are represented by the "revolving fund credits" shown in the "distribution of net margins" section of this report.

Mixed feed is the foundation of PCA's capital structure. Prices are determined weekly, based on replacement value of the feed ingredients plus estimated cost of milling, distribution, and general administrative expense. To this is added a capital overcharge, which in recent years has been 15 cents per 100 pounds. Based on the capital needs to maintain a strong financial condition, about 10 cents of this 15 cents capital markup is placed in the revolving fund structure. The remainder, together with any savings made in achieving costs under original estimates, is returned to the membership as a cash patronage refund.

The financial condition of PCA on March 31, 1957 and 1958, is shown in the following condensed statement:

	<u>1957</u>	<u>1958</u>
Assets		
Current assets	\$2,375,438	\$1,629,076
Fixed assets (net)	1,367,901	1,491,957
Other assets	107,549	108,946
Total	3,850,888	3,229,979

	<u>1957</u>	<u>1958</u>
Liabilities and member equities		
Current liabilities	\$972,761	\$552,931
Other liabilities	197,290	39,187
Member equities or net worth	<u>2,680,837</u>	<u>2,637,861</u>
Total	3,850,888	3,229,979

On March 31, 1958, principal operating facilities owned by PCA were:

<u>Facilities</u>	<u>Number of plants</u>	<u>Cost value</u>	<u>Depre- ciated value</u>
Central feed mill, supply department, egg handling facilities, and general office	1	\$984,886	\$444,677
Branch stations and mills	6	1,341,093	840,005
Automobiles and trucks	-	<u>522,052</u>	<u>207,275</u>
Total	-	2,848,031	1,491,957

PCA also had \$6,986 invested in other regional cooperatives which operate various manufacturing or processing facilities.

On March 31, 1958, PCA had 255 full-time employees. Of these, 29 were engaged in general and administrative activities, 192 spent a majority of their time in feed and supply operations, and 34 spent most of their time in egg marketing operations.

Arkansas Farmers Association

The Arkansas Farmers Association (A.F.A.), formerly Arkansas Farm Bureau Cooperative, with headquarters in North Little Rock, was organized in 1945. As of May 31, 1958, A.F.A. served 44 local member associations which operated 52 retail outlets, 9 nonmember local cooperatives, 10 private dealer-agents handling a general line of farm supplies, and approximately 125 private dealers primarily handling fertilizer. These outlets in turn served approximately 50,000 farmers. None of the member co-ops was under management or supervision agreements with A.F.A.

Membership in A.F.A. is limited to local cooperatives and is obtained by purchasing a \$100 share of common voting stock and agreeing to the provisions of the bylaws. Each member association has only one vote.

A.F.A. has 12 directors. Of these, 10, or 2 from each of 5 districts, are elected for staggered terms of 3 years. In addition, one director is elected for a term of one year from the district purchasing the largest dollar volume from A.F.A. during the preceding year, and one director is elected for one year who shall be the president of the managers' association. A.F.A. is independent of any farm organization in the State.

This cooperative distributed supplies at wholesale during fiscal years ended May 31, 1957 and 1958, as follows:

<u>Commodities</u>	<u>1957</u>	<u>1958</u>
Feed (direct and warehouse)	\$6,928,983	\$5,787,012
Seed	1,040,471	639,205
Insecticides	637,708	136,050
Fertilizer	1,199,732	540,984
Baby chicks and hatching eggs	953,435	656,271
Petroleum products	792,732	1,184,873
General farm supplies	<u>250,777</u>	<u>263,960</u>
Total (net)	11,803,838	9,208,355

Net savings available to patrons and their distribution in fiscal years ending in 1957 and 1958 were:

<u>Distribution of net margins</u>	<u>1957</u>	<u>1958</u>
Dividends on preferred stock	-0-	\$17,290
Cash patronage refunds	-0-	-0-
Patronage refunds in certificates of equity	-0-	-0-
Additions to capital reserves	-203,435	27,178
Total	-203,435	44,468

The association retired, in cash or by application on receivables, certificates of equity amounting to \$114,851 in the fall of 1956 and none in the fall of 1957 and 1958 under a revolving capital plan. It has now retired practically all such equities issued before 1953.

The financial condition of Arkansas Farmers Association on May 31, 1957 and 1958, was:

	<u>1957</u>	<u>1958</u>
Assets		
Current assets	\$1,114,095	\$687,720
Fixed assets (net)	475,743	388,813
Other assets	1,125	215
Investments and equities in cooperatives	54,798	131,951
Total	1,645,761	1,208,699
Liabilities and net worth		
Current liabilities	936,753	637,101
Other liabilities	120,780	55,225
Net worth or member and patrons equities	588,228	516,373
Total	1,645,761	1,208,699

Facilities owned and operated by A.F.A. at the close of its 1958 fiscal year included:

<u>Facilities</u>	<u>Number of plants or units</u>	<u>Cost value</u>	<u>Book value</u>
Farm supply warehouse, equipment, land, and office	2	\$160,971	\$115,756
Seed plant (building and equipment)	1	92,896	62,634
Hatcheries--complete	1	144,633	104,908
Breeder farm	1	122,225	97,191
Automobiles and trucks	6	25,942	8,324
Total	-	546,667	388,813

A.F.A. also had \$44,034 of investments and patrons' equities in regional cooperatives and federations of regionals which were operating various manufacturing facilities. This did not include stock in the bank for cooperatives.

On May 31, 1958, A.F.A. had 49 employees--14 of these engaged in general and administrative activities, 15 in wholesale distribution including warehousing, 6 in seed processing and warehousing, and 14 in hatchery and other poultry operations.

Farmers Union State Exchange

The Farmers Union State Exchange, with headquarters at Omaha, Nebr., was organized in 1914. On September 30, 1958, it was serving 412 member associations with 81,000 patrons, 95 percent of them farmers. Through 45 private dealers, it reached an additional 9,000 patrons, 95 percent of them farmers. None of the member co-ops was under management and financing agreements with the Exchange.

The Exchange also has 4,260 individual farmer members. Most of them became members in the early days of the Exchange when it did a mail order business. Some are located in areas served by dealer agents. The stock of these members is being retired gradually. Thus in effect the Exchange operates as a federated organization.

Membership in the Exchange is obtained by purchasing a \$12.50 share of common stock and agreeing to the provisions of the bylaws. Each member has only one vote. The Exchange has seven directors elected at large for staggered terms of 3 years. The Exchange is organized independently of the Nebraska Farmers Union, but works closely with that organization, and in turn its members account for a large portion of the sales of State Exchange merchandise.

The Exchange distributed supplies at wholesale during fiscal years ended on September 30, 1957 and 1958, as follows:

<u>Commodities</u>	<u>1957</u>	<u>1958</u>
Feed, seed, fertilizer, and insecticides	\$419,922	\$779,381
Gasoline, oil, and grease	4,980,313	5,447,703
Tires, tubes, and other accessories	300,482	437,510
Farm machinery and hardware }	397,914 }	785,837
Farm equipment and fencing }	120,043 }	
Paint	43,243	44,264
Coal	63,913	83,687
Groceries	86,662	-0-
Clothing	6,207	-0-
Roofing	20,106	55,581
Miscellaneous	5,463	7,144
Total	6,444,268	7,641,107

The Exchange also had retail sales of \$528,591 in 1957 and \$378,573 in 1958.

Total net margins available to patrons from all operations and their distribution for the 1957 and 1958 fiscal years were:

<u>Distribution of net margins</u>	<u>1957</u>	<u>1958</u>
Cash dividends on capital stock	\$34,504	\$35,265
Patronage refunds allocated as member equities	469,811	744,549
Total	504,315	779,814

The association distributed its net margins in the following manner: "Earnings received from manufacturing cooperatives are paid in the same form as received. All earnings from wholesale brokerage and merchandising operations are paid one-half in shares of stock and one-half in ten-year patronage dividend notes."

During the fiscal year 1957, patronage dividend notes and debentures amounting to \$206,846, originally issued in payment of patronage refunds, were retired in cash. The amounts retired in fiscal year 1958 totaled \$254,983. Retirement of these member equities is not on a definite revolving schedule, but entirely at the discretion of the board of directors and the shareholders.

The financial condition of the Farmers Union State Exchange on September 30, 1957 and 1958, is shown in the following condensed statement:

	<u>1957</u>	<u>1958</u>
Assets		
Current assets	\$1,327,947	\$1,282,503
Fixed assets (net)	168,206	156,840
Other assets	<u>2,041,444</u>	<u>2,391,142</u>
Total	3,537,597	3,830,485
Liabilities and net worth		
Current liabilities	331,549	259,182
Other liabilities	415,798	388,792
Net worth or member and patron equities	<u>2,790,250</u>	<u>3,182,511</u>
Total	3,537,597	3,830,485

On September 30, 1958, the Exchange had principal operating facilities as follows:

<u>Facilities</u>	<u>Number of plants or units</u>	<u>Cost value</u>	<u>Depre- ciated value</u>
Office building and warehouse	1	\$187,599	\$75,716
Lubricating oil compounding plant	1	179,500	32,166
Transport trucks	5	73,609	30,535
General delivery trucks	5	26,695	8,991
Truck garages	2	<u>11,486</u>	<u>2,140</u>
Total	-	478,889	149,548

The Exchange also had \$2,384,914 invested in federations of regional cooperatives which operated various manufacturing and wholesaling facilities.

At the close of the 1958 fiscal year, the Exchange had 105 employees. Of these, approximately 21 were engaged in general and administrative activities, 30 were in manufacturing or processing operations, 54 were in wholesale distribution, including warehousing and transportation.

PART II

Summary of 21 Major Regional Cooperatives

This section summarizes the information for the regional cooperatives handling farm supplies described in this report.

Years Organized

The regional cooperatives were organized in the following years:

<u>Year</u>	<u>Number of associations organized</u>	<u>Year</u>	<u>Number of associations organized</u>
1914	1	1929	2
1916	1	1931	2
1917	2	1933	2
1918	1	1934	2
1920	1	1945	2
1923	2		
1926	1	Total	21
1927	2		

Type and Number of Retail Outlets

The 21 cooperatives operated throughout most of the United States. In addition a number of smaller and often specialized regional associations operated in the same areas. The 21 cooperatives distributed supplies through 7,940 retail outlets in 1957, and 7,691 in 1958. The type and number of outlets were:

<u>Type of retail outlet</u>	<u>1957</u>	<u>1958</u>
Local member cooperatives of regional associations		
Not managed or supervised by regionals	4,401	4,398
Managed or supervised by regionals	298	307
Local nonmember cooperatives of regionals	892	763
Local cooperative service stores managed by regionals or subsidiaries and branches of regionals	624	638
Private service agencies or dealer agents	1,347	1,216
Farmer-representatives or farmer-agents	378	369

The "local member cooperatives" included in this classification are independent organizations holding membership interests in the regional associations. The "nonmember cooperatives" are also independent but are only patrons of the regional cooperatives. The "managed cooperative service stores or subsidiaries and branches" are under direct management of the regionals. "Private service agencies or dealer agents" are private concerns that perform a distributing service for the regional cooperatives in accordance with mutually agreeable policies. These plans include provisions for passing on to the farmers the patronage refunds distributed by the regionals. Similarly, the "farmer-representatives" or "farmer-agents" are farmers who serve as distributing agents for the regionals. The association reports in Part I give more detailed information on the character of local service outlets.

Number of Patrons Served

The number of patrons served by the 21 regional cooperatives during fiscal years ended in 1957 and 1958 was:

Fiscal year	Farmers		Nonfarmers	
	Total	Percent of patrons	Total	Percent of patrons
1957	3,028,651	91.4	283,740	8.6
1958	3,076,305	90.8	311,953	9.2

Membership Requirements

The financial requirements for membership reported by the 21 associations were:

<u>Requirements</u>	<u>Number of cooperatives</u>
Capital stock	
One \$1 share by farmer	2
One \$5 share by farmer	1
One \$12.50 share by local cooperative	1
One \$25 share by local cooperative	5
One \$100 share by local cooperative	5
Ten \$100 shares by local cooperative	1
One \$1 share by farmer; one no par share by local cooperative	1
One no par share by local cooperative	1
Membership fee	
One \$2.50 membership by farmer	1
One \$10 membership by farmer	2
Other	
Patronize the cooperative, provided patron is a farmer	1
Total	21

Voting Provisions

The voting provisions reported by the 21 associations were:

<u>Provisions</u>	<u>Number of cooperatives</u>
One vote per member cooperative or farmer	16
One vote per member cooperative plus one vote for each \$100,000 of purchases in excess of first \$5,000 of purchases	1
One vote per member-farmer plus one vote for each \$5,000 of business with cooperative annually, with a maximum of 5 votes	1
One vote per member cooperative plus one vote for every 50 members in the local provided it owns one share of stock for each 50 members	2
One vote per member-farmer plus one vote for each \$250 of eggs marketed, for each \$250 of poultry and turkeys marketed, and for each \$500 of feed and supplies purchased	1
Total	21

Number and Term of Directors

Data provided on number of directors by the associations follow:

	<u>Number of directors</u>	<u>Number of associations</u>
Elected		
5		1
7		4
9		1
10		4
11		3
12		3
15		1
21		1
26		1
34		1
53		1
Total		21
Public (In addition to elected directors)		
1		2
2		1
4		3
6		1
Total		7

Fourteen of 20 associations reporting terms of their elected directors stated that they elected their directors for 3-year terms, 4 elected theirs for 2-year terms, and 2 elected their directors for one-year terms. All with 2-year and 3-year terms were elected on a staggered basis. Of the seven associations reporting terms of their public directors, four associations had 1-year terms, one had a 2-year term, and two had 3-year terms.

Number of Employees

The number of employees of the 21 regionals at close of fiscal years ended in 1957 and 1958 was:

Type of activity	1957		1958	
	Total	Percent of total	Total	Percent of total
Administrative	4,285	21.2	4,362	21.0
Manufacturing and processing	6,844	33.8	6,800	32.8
Wholesale distribution (including warehousing and transportation)	2,650	13.1	3,112	15.0
Retail distribution	4,679	23.1	4,852	23.4
Marketing farm products	1,770	8.8	1,618	7.8
Total	20,228	100.0	20,744	100.0

Fiscal Year Endings

The number of regionals closing their fiscal years on the following specified dates in 1958 was:

<u>Date</u>	<u>Number</u>	<u>Date</u>	<u>Number</u>
March 31	1	Nov. 30	1
May 31	1	Dec. 31	8
June 30	5		
Aug. 31	4	Total	21
Sept. 30	1		

The dollar volume of supplies of the seven regionals closing their year during the first half of 1958 accounted for 46 percent of the total for all associations. The volume of the remaining 14 accounted for 54 percent of the total.

Dollar Volume of Business

Seventeen of the 21 regionals distributed supplies at wholesale totaling \$880 million in fiscal 1958 compared with \$827 million in fiscal 1957. The other four regionals distributed their supplies primarily at retail, and their volume totaled \$156 million in 1957 and \$163 million in 1958.⁹

Five of the 17 regionals also reported the volume of supplies handled by retail affiliates and branches--\$220 million in 1957 and \$230 million in 1958. When this volume was added to that of the four regionals distributing supplies direct to patrons, total retail volume was \$375 million in 1957 and \$392 million in 1958.

Combined volume of supplies distributed at wholesale and retail by the 21 regionals was \$1,202 million in 1957 and \$1,272 million in 1958.

Combined volume of farm products marketed by 11 regionals was \$206 million in 1957 and \$220 million in 1958.

Types of Supplies Handled¹⁰

Table 1 and figure 2 show the relative importance of the various types of supplies handled at wholesale by 17 regional cooperatives and the types handled primarily at retail by four regional cooperatives during fiscal year 1958. Total volume distributed in 1958 showed an increase of 6 percent over that distributed in 1957. Feed, petroleum products, and fertilizer made up 83 percent of the total volume in 1957 and 82 percent in 1958.

Feed predominated in the dollar volume of 10 associations, petroleum products in eight associations, fertilizer in two associations, and groceries in one association. Feed accounted for \$405 million of the volume of the 21 associations, petroleum products \$313 million, and fertilizer \$134 million.

Dollar volume of feed handled in 1958 showed an increase of 5 percent over that handled in 1957. Petroleum products increased 3 percent and fertilizer 10 percent. Farm machinery and other farm equipment showed the largest increase, 23 percent, followed by tires, tubes, and auto accessories with 21 percent, groceries with 17 percent, and lumber, paint, hardware, and maintenance material with 17 percent.

⁹Eastern States Farmers' Exchange, Inc., Washington Co-operative Farmers Association, Poultry Producers of Central California, and Poultrymens Cooperative Association of Southern California distributed supplies direct to individual patrons primarily at retail.

¹⁰Based on data by commodities available from 20 associations and estimates for one association.

Figure 2

Principal Farm Supplies Handled by 21 Regional Cooperatives, 1957-1958

PERCENT

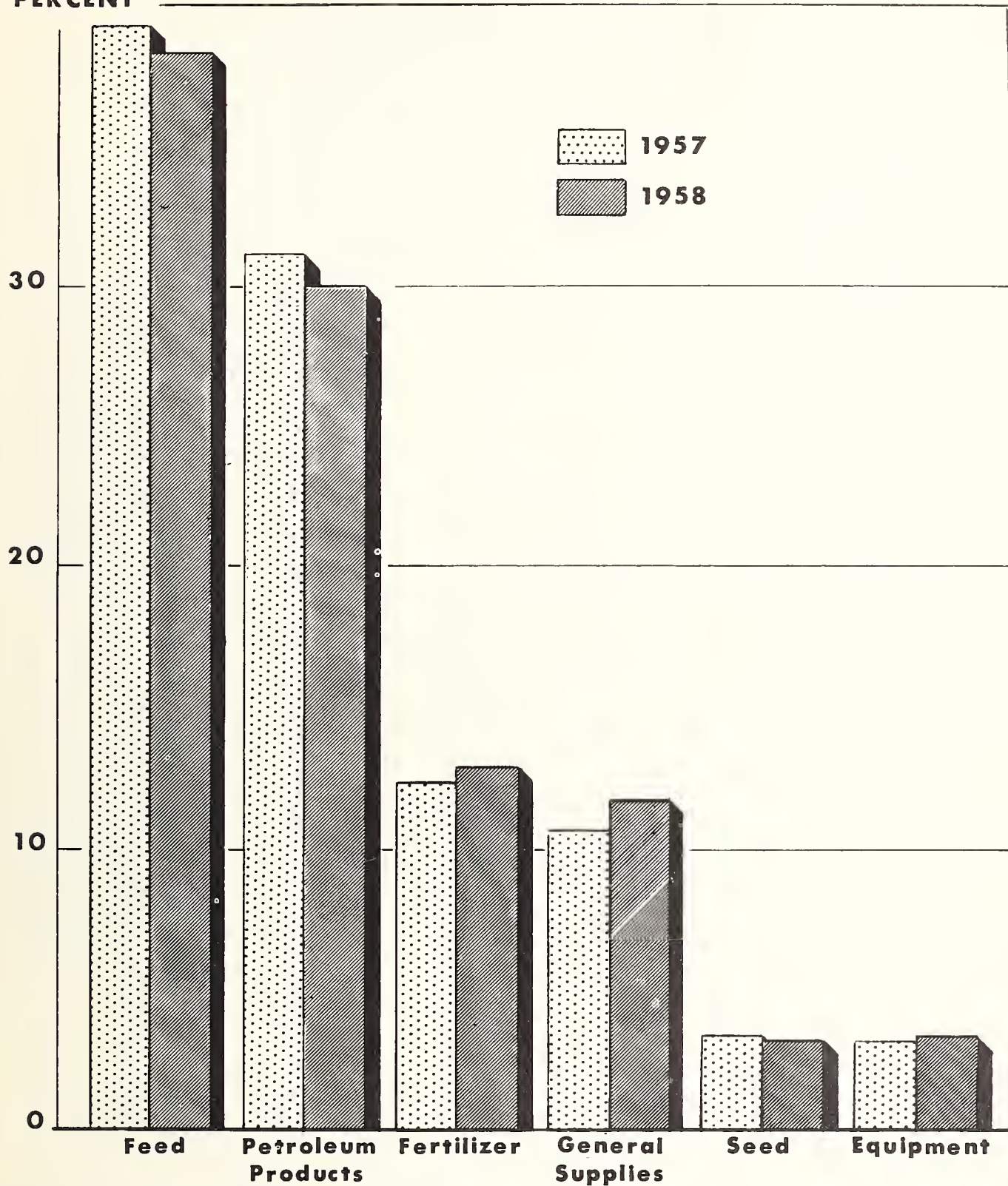


Table 1.--Supplies distributed by 21 major regional cooperatives handling farm supplies during fiscal years 1957 and 1958¹

Commodity group	1957		1958		Percent of increase or decrease
	Amount	Percent of total	Amount	Percent of total	
	\$1,000		\$1,000		
Feed	386,763	39.3	405,538	38.9	4.9
Petroleum products	305,306	31.1	312,801	30.0	2.5
Fertilizer	122,186	12.4	133,949	12.9	9.6
Seed	33,339	3.4	32,150	3.1	-3.6
Lumber, paint, hardware, and maintenance material . .	24,746	2.5	28,889	2.8	16.7
Farm machinery and other farm equipment	22,316	2.3	27,491	2.6	23.2
Tires, tubes, and auto accessories	21,211	2.1	25,707	2.5	21.2
Steel products	15,686	1.6	15,482	1.5	-1.3
Insecticides and fungicides . .	16,323	1.7	18,744	1.8	14.8
Electrical equipment and appliances	7,632	0.8	7,550	0.7	-1.1
Groceries	6,623	0.7	7,758	0.7	17.1
Twine	2,552	0.3	2,773	0.3	8.7
Coal	991	0.1	1,084	0.1	9.4
Miscellaneous	17,019	1.7	22,406	2.1	31.7
Total	² 982,693	100.0	³ 1,042,322	100.0	6.1

¹Includes the value of supplies distributed at wholesale to local cooperatives by 17 regional cooperatives and direct to patrons (primarily at retail) by 4 associations.

²Includes \$281,127 of interdivision transactions not reported by commodity.

³Includes \$378,950 of interdivision transactions not reported by commodity.

Amount and Distribution of Net Margins

Total net margins available to patrons of the 21 associations amounted to \$53 million for fiscal year 1957 and \$50.4 million for 1958, showing a decrease of 5 percent.¹¹

Cash dividends on capital stock increased from \$6 million in 1957 to \$6.4 million in 1958--up 7 percent. Patronage refunds distributed in cash amounted to \$13.1 million in 1957 and \$12.6 million in 1958--a decrease of 4.5 percent. Patronage refunds deferred and evidenced in the form of capital stock, certificates of indebtedness of equity, and other equity holdings decreased from \$25 million in 1957 to \$22 million in 1958, or 11 percent. Most of these amounts are revolving capital, discussed in the next section of this report. Amounts added to capital reserve (allocated reserves and unallocated surplus) increased from \$8.7 million in 1957 to \$9 million in 1958, or 4.1 percent (table 2 and figure 3).

¹¹Net margins available to patrons represent margins after payment of or provisions for Federal income taxes. No attempt was made in preparing this report to obtain income or other tax information because these data would have little comparative significance. Any income taxes shown as paid or accrued by one cooperative cannot be used as a basis for estimating the amount of tax paid or accrued by other cooperatives. Many operate under firm obligations to distribute to their patrons all net margins above operating expenses and dividends on capital stock; therefore, under established legal principles, they may exclude from gross income net margins allocated on a patronage basis in cash or in various forms of member equities.

This right of exclusion applies equally to farmer cooperatives qualifying for exemption under the Internal Revenue Code and also to those that are nonexempt. Qualifying "exempt" associations are permitted to deduct dividends on stock and certain extraneous income in determining their Federal income tax position. Both groups of organizations are subject to essentially all other taxes paid by business enterprises.

Total net margins available to patrons were 3.8 percent of total sales of farm supplies and farm products in 1957 and 3.4 percent in 1958. Such net margins were equivalent to 13.6 percent of the total net worth of the associations in 1957 and to 12 percent of their net worth in 1958.

The amount of revolving capital stock, revolving fund credits, and other equity holdings issued in prior years in payment of patronage refunds which were retired in cash in 1957 and 1958 are shown in the next section of this report.

Table 2.--Distribution of net margins available to patrons of 21 major regional cooperatives handling farm supplies for fiscal years 1957 and 1958¹

Type of distribution	1957 ²	1958	Percent of increase or decrease
Cash dividends on capital stock and on other equities	\$6,003,683	\$6,433,676	7.2
Patronage refunds			
In cash	13,156,665	12,565,189	-4.5
In capital stock and other forms of equity capital (excluding allocated reserves) ³	25,189,411	22,348,315	-11.3
Additions to capital reserves (allocated and unallocated)	8,645,564	9,003,424	4.1
Total	52,995,323	50,350,604	-5.0

¹Represents net margins available to patrons after any payments of or provision for Federal income taxes.

²Revised.

³Evidenced by capital stock, certificates of equity or indebtedness, revolving fund credits, member equities, and other equity holdings. Cash payments applicable to patronage refunds deferred in prior years under revolving capital programs totaled \$7.7 million in 1957 and \$7.8 million in 1958. Thus net balances equivalent to \$17.5 million of the deferred refunds from 1957 operations and \$14.5 million from 1958 operations were retained in the associations.

Revolving of Capital

Under revolving capital programs, 12 associations in both 1957 and 1958 reported cash retirements of capital stock or other equities originally issued in payment of patronage refunds for previous years. Such cash retirements totaled \$7.7 million in 1957 and \$7.8 million in 1958. One other association made annual adjustments of its revolving fund so that each member local would hold capital stock in proportion to its patronage with the regional.

A total of 17 associations used the revolving capital plan of financing. Information from 16 associations for fiscal year 1958 showed that three were revolving their capital within a 5-year period, seven within a 6-year to 10-year period, and six within a 10-1/2- to 14-1/2-year period.

Total Cash Payments of Dividends, Refunds, and Revolving Capital

When cash retirements of revolving capital were added to cash dividends on stock and to cash patronage refunds on the current fiscal year's operations, total cash payments to patrons amounted to \$26.9 million in 1957 and \$26.8 million in 1958 (table 3 and figure 4). These amounts were equivalent to approximately 51 percent and 53 percent, respectively, of the total net margins available to patrons for the 2 years.

Figure 3
Distribution of Net Margins Available to Patrons
of 21 Regionals for Fiscal 1957 and 1958

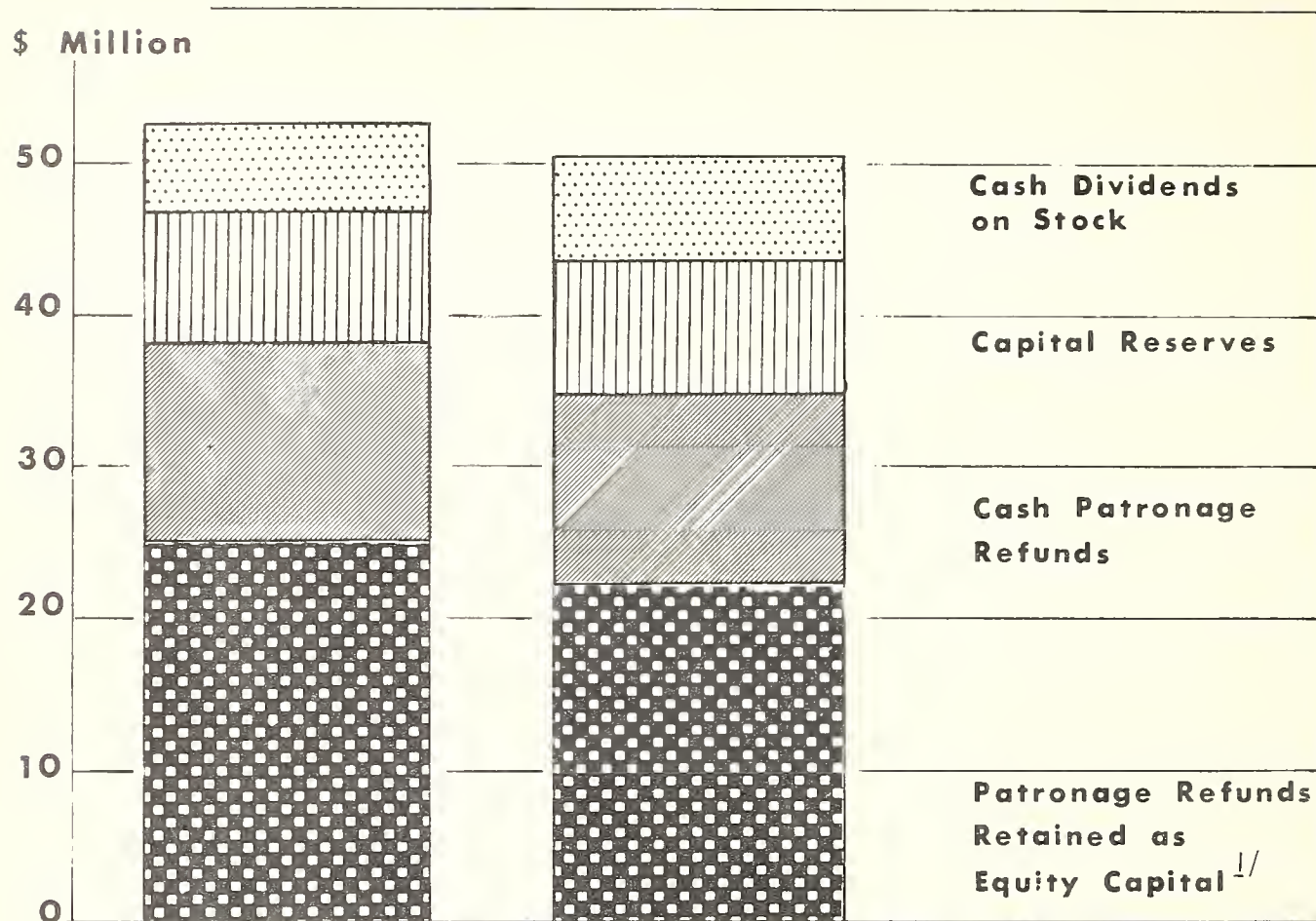
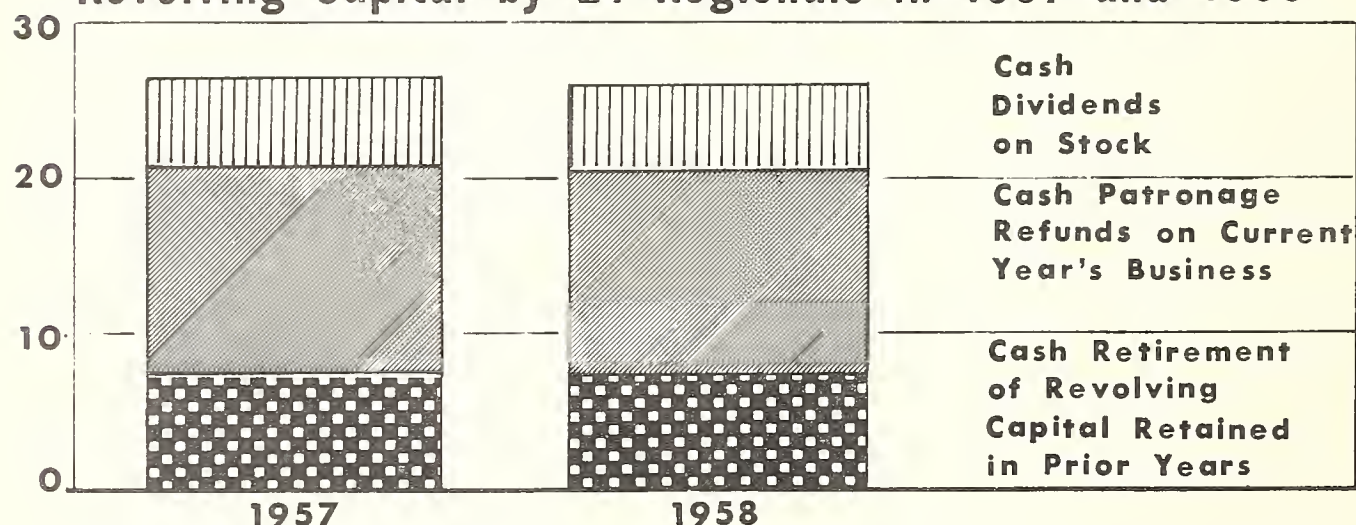


Figure 4. Cash Payments of Dividends, Refunds, and Revolving Capital by 21 Regionals in 1957 and 1958^{2/}



^{1/} A total of \$7.7 million deferred in prior years was retired in cash in 1957 and \$7.8 million was retired in 1958.

^{2/} Total cash was equivalent to 50.9% of net margins in 1957 and to 53% of net margins in 1958.

Table 3.--Total cash payments of dividends, refunds, and revolving capital by 21 major regional cooperatives handling farm supplies in fiscal years 1957 and 1958

Type of cash distribution	1957	1958
On current year's operations		
Cash dividends on stock and interest on other equities . .	\$6,003,683	\$6,433,676
Cash patronage refunds	13,156,665	12,565,189
Under revolving capital programs		
Cash payment or retirement of deferred refunds, capital stock, and other equities	7,733,736	7,817,733
Total	26,894,084	26,816,598

Total Net Margins Since Organizing

Total net margins available to patrons from the dates they organized through 1958 were reported by 13 regional cooperatives doing 63 percent of the total volume of business of the 21 regionals. The amount and distribution of these net margins follows:

<u>Distribution</u>	<u>Amount</u>
Cash dividends on capital stock and on other equities	\$47,585,933
Patronage refunds	
In cash on current year's operations	152,812,184
In capital stock and other forms of equity capital (excluding allocated reserves)	75,186,601
Additions to capital reserves (allocated and unallocated)	91,926,243
Total	367,510,961

Substantial amounts of the patronage refunds of these 13 regionals that were initially paid in capital stock or otherwise deferred for capital purposes have been repaid in cash to members under revolving capital plans.

Sixteen of the 21 regionals in this handbook during the last 5 years repaid \$48 million of revolving capital in cash. During this same period they added \$117 million of new revolving capital derived from current patronage refunds. None or very little of this amount, however, is due under the associations' present revolving programs.

Financial Condition

The financial condition of the 21 farm supply cooperatives at the close of fiscal years 1957 and 1958 is shown in table 4 and figure 5. Current assets increased about \$16 million, or 6 percent. Net value of fixed assets increased \$15 million, or 7 percent. Other assets increased \$8.6 million, or 10 percent. The latter consisted mainly of investments in federations of regional associations which owned wholesaling and manufacturing facilities.

Current liabilities increased 15 percent and other liabilities decreased 5 percent in 1958. The associations had \$2.54 of current assets for every dollar of current liabilities in 1958 compared with \$2.76 in 1957.

Members' equities increased 7.4 percent from 1957 to 1958. They represented 67.4 percent of total assets in 1957 and 67.7 percent in 1958.

Figure 5
Assets and Liabilities of 21 Major
Regional Cooperatives,
Fiscal Year 1958

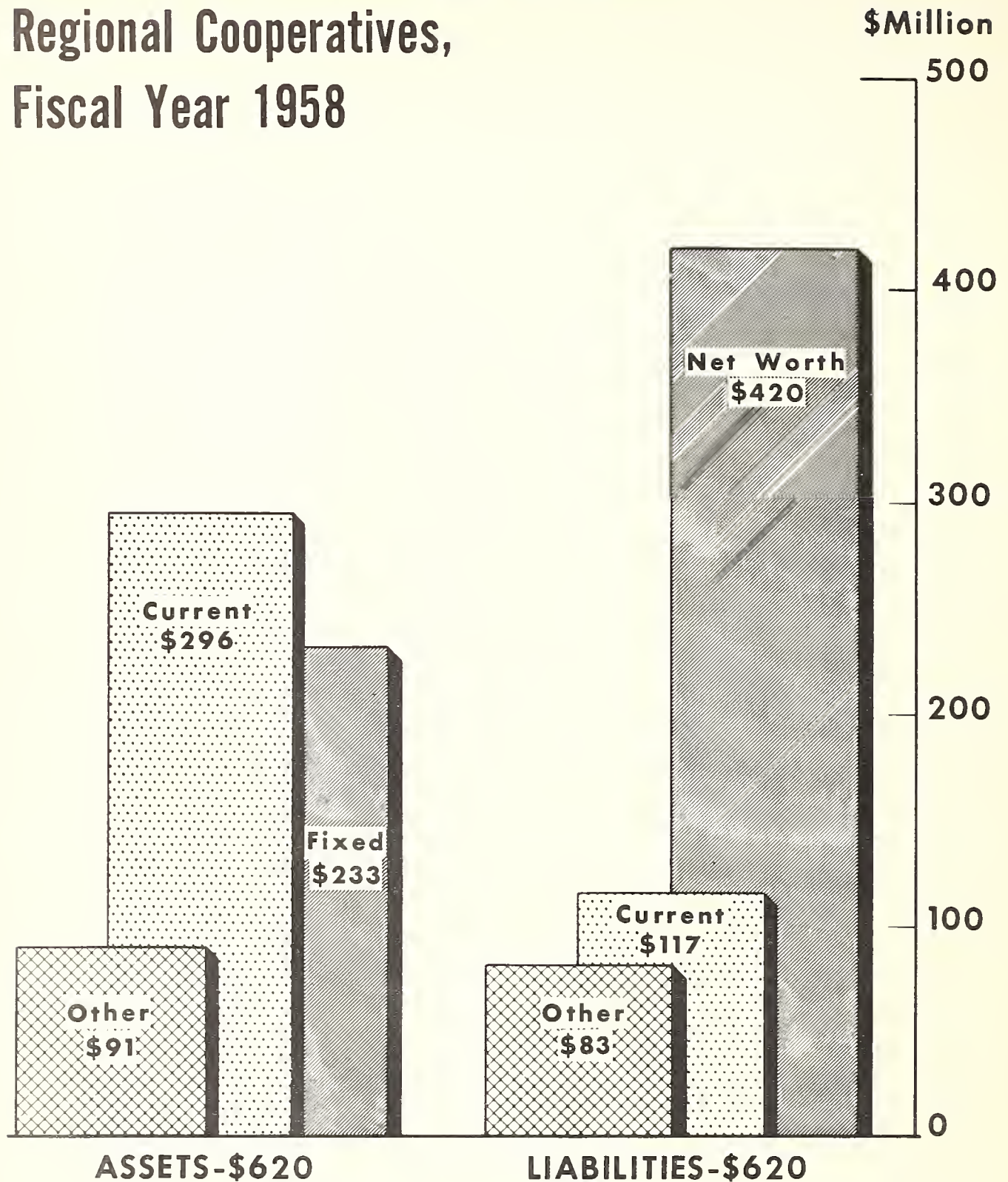


Table 4.--Consolidated financial statement of 21 major regional farm supply cooperatives at the close of fiscal years 1957 and 1958

Item	1957		1958		Percent of increase or decrease
	Amount	Percent of total	Amount	Percent of total	
Assets					
Current assets	\$280,193,361	48.3	\$296,343,048	47.8	5.8
Fixed assets (net) . . .	217,277,274	37.5	232,548,728	37.5	7.0
Other assets	<u>82,402,669</u>	<u>14.2</u>	<u>90,971,520</u>	<u>14.7</u>	<u>10.4</u>
Total	579,873,304	100.0	619,863,296	100.0	6.9
Liabilities and members' equities					
Current liabilities . . .	101,338,766	17.5	116,456,693	18.8	14.9
Other liabilities	87,613,695	15.1	83,450,644	13.5	-4.8
Members' equities . . .	<u>390,920,843</u>	<u>67.4</u>	<u>419,955,959</u>	<u>67.7</u>	<u>7.4</u>
Total	579,873,304	100.0	619,863,296	100.0	6.9

PART III

Farm Supply Business of Three Major Regional Marketing Cooperatives

Three regional marketing cooperatives, each of which usually distributes more than \$7.5 million of farm supplies annually, are included in this handbook. Two are of the federated type and distribute farm supplies wholesale to local member associations. The third one is a centralized organization that distributes supplies direct to farmers through local branches.

Land O'Lakes Creameries, Inc.

Land O'Lakes Creameries, Inc., with headquarters in Minneapolis, Minn., was organized in 1921. It is a federated organization owned by 412 local member dairy marketing associations which in turn serve approximately 65,000 farmers. Land O'Lakes serves Minnesota, Wisconsin, North Dakota, and South Dakota.

Value of farm supplies, chicks, poults, and equipment distributed at wholesale to members by the Land O'Lakes Creameries, Inc., for the years ended December 31, 1957 and 1958, was as follows:

<u>Commodity</u>	<u>1957</u>	<u>1958</u>
Feed	\$11,686,594	\$14,916,091
Fertilizer	3,329,522	4,493,322
Seed	1,477,617	1,207,903
Chicks	133,965	---
Poults	544,362	796,703
Equipment (plant, dairy, poultry, and other)	7,351,926	5,994,255
Total	24,523,986	27,408,274

The Cotton Producers Association

The Cotton Producers Association, with headquarters in Atlanta, Ga., serves farmers in Georgia, much of Florida, and parts of Alabama through 72 member associations and 15 dealer representatives. Fertilizer, feed, seed, and other farm supplies were distributed to members during fiscal years ended June 30, 1957 and 1958, as follows:

<u>Commodity</u>	<u>1957</u>	<u>1958</u>
Feed	\$8,228,060	\$11,198,344
Fertilizer	4,693,640	5,159,393
Seed	1,150,799	979,571
Other farm supplies and equipment	2,605,356	4,664,517
Total	16,677,855	22,001,825

Net margins on these supply operations amounted to \$1,185,084 in 1957 and to \$1,854,912 in 1958.

Utah Poultry and Farmers Cooperative

Utah Poultry and Farmers Cooperative, with headquarters in Salt Lake City, Utah, was organized in 1923. It is a centralized organization which in 1958 directly served approximately 30,000 farmers in Utah and Southeastern Idaho through its headquarters and 27 branch stations.

Value of feed and other farm supplies distributed directly to patrons by this cooperative during the years ended December 31, 1957 and 1958, was as follows:

Commodity	1957	1958
Feed	\$5,629,066	\$5,999,832
Fertilizer	299,330	387,636
Seed	154,809	182,052
Other farm supplies and equipment	1,015,795	1,127,580
Total	7,099,000	7,697,100

Net margins on these operations amounted to \$119,102 in 1957 and to \$280,936 in 1958.

Combined Dollar Volume

Total dollar volume of farm supplies distributed by the three regional marketing associations amounted to \$48,300,841 in 1957 and \$57,107,199 in 1958--an increase of 18 percent in 1958 (table 5).

Table 5.--Supplies distributed by three major regional marketing cooperatives during fiscal years ending in 1957 and 1958

Commodity group	1957		1958	
	Total	Percent of total	Total	Percent of total
Feed	\$25,543,720	52.9	\$32,114,267	56.2
Fertilizer	8,322,492	17.2	10,040,351	17.6
Seed	2,783,225	5.8	2,369,526	4.2
Other farm supplies . . .	11,651,404	24.1	12,583,055	22.0
Total	48,300,841	100.0	57,107,199	100.0

Feed was the principal supply item handled. It represented 53 percent of the total dollar volume of all supplies distributed in 1957 and 56 percent in 1958. The total feed volume was about \$26 million in 1957 and \$32 million in 1958, an increase of 26 percent.

Fertilizer represented 17 percent of total supply volume in 1957 and 17.6 percent in 1958. Seed represented 5.8 percent of total dollar volume of supplies in 1957 and 4.2 percent in 1958. Dollar volume of all other supplies represented 24.1 percent of total supplies distributed in 1957 and 22.0 percent in 1958.

